



# CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022



## MANAGEMENT STATEMENT OF RESPONSIBILITY

The preparation and presentation of the accompanying consolidated financial statements of McCoy Global Inc. (the "Corporation"), which have been prepared in accordance with IFRS Accounting Standards, are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, the Corporation's financial position, financial performance and cash flows. The Corporation's accounting procedures and related systems of internal controls are designed to provide reasonable assurance that its assets are safeguarded and its financial information is reliable.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the Corporation's external auditors. The external auditors are responsible for examining the consolidated financial statements and expressing their opinion on the fairness of the consolidated financial statements prepared in accordance with IFRS Accounting Standards. The auditor's report outlines the scope of their audit examination and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Audit Committee meets regularly with management and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reports its findings to the Board of Directors for their consideration when approving the consolidated financial statements for issuance to the shareholders. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the external auditors.

**(signed) "Jim Rakievich"**

President & Chief Executive Officer

March 13, 2024

**(signed) "Lindsay McGill"**

Vice President & Chief Financial Officer



## Independent auditor's report

To the Shareholders of McCoy Global Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of McCoy Global Inc. and its subsidiaries (together, the Corporation) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

#### What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of earnings and comprehensive earnings for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP  
Stantec Tower, 10220 103rd Avenue North West, Suite 2200, Edmonton, Alberta, Canada T5J 0K4  
T.: +1 780 441 6700, F.: +1 780 441 6776, Fax to mail: ca\_edmonton\_main\_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## Key audit matter

### Impairment assessment of goodwill

*Refer to note 3 – Material accounting policies and note 8 – Impairment of non-financial assets to the consolidated financial statements.*

The Corporation had goodwill of \$3,616,000 as at December 31, 2023. Goodwill is tested for impairment at least annually. For impairment testing, assets are grouped together into cash generating units (CGUs), defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and value in use (VIU). An impairment loss is recognized in earnings for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount.

The carrying amount of goodwill is included in the Corporation's sole CGU and the recoverable amount of that CGU was determined based on its VIU (the method), by discounting estimated future cash flows expected to be generated (discounted cash flow model).

Key assumptions used for the VIU calculation over the three-year financial forecast period require the use of estimates and judgments and include the revenue growth rates, gross profit percentages and after-tax discount rate. No impairment was recognized as a result of the 2023 impairment assessment.

We considered this a key audit matter due to (i) the significance of the goodwill balance; (ii) the significant judgment made by management in determining the recoverable amount of the sole CGU, including the use of key assumptions; and (iii) the high degree of subjectivity and audit effort in performing audit procedures to test the key

## How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the recoverable amount of the sole CGU as at December 31, 2023, which included the following:
  - Tested the appropriateness of the method used and the mathematical accuracy of the discounted cash flow model.
  - Tested the reasonableness of the revenue growth rates and gross profit percentages applied by management in the discounted cash flow model by comparing them to the budget, management's strategic plans approved by the Board of Directors, results historically achieved by the sole CGU and external metrics of North American and international rig and well counts.
  - Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's method and discounted cash flow model, as well as evaluating the reasonableness of the after-tax discount rate.
  - Tested the underlying data used in the discounted cash flow model.



## Key audit matter

## How our audit addressed the key audit matter

assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.

### Valuation of inventories

*Refer to note 3 – Material accounting policies and note 5 – Inventories to the consolidated financial statements.*

As at December 31, 2023, the Corporation held inventories of \$30,591,000, net of a provision for excess and obsolescence (inventory provision) of \$5,150,000. The Corporation's inventories consist of raw materials, work-in-progress, parts to be used in production, and finished goods available for sale. Finished goods available for sale consist of capital equipment and parts and accessories inventories that are available for sale to external parties.

Inventories are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. If the carrying value exceeds net realizable value, a writedown is recognized. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the writedown is reversed up to the maximum of the original writedown.

The net realizable value of capital equipment included in inventories is assessed on an individual product basis considering current market prices for the equipment and management's assessment of forecasted demand. This resulted in a net recovery of \$84,000. All other items in inventories are assessed for obsolescence at a distinct part level using a formulaic approach, providing for items that

Our approach to addressing the matter included the following procedures, among others:

- Tested how management estimated the inventory provision, which included the following:
  - Tested the data used by management in determining the inventory provision and recalculated the mathematical accuracy of the inventory provision.
  - Evaluated the appropriateness of management's inventory provision methodology.
  - For capital equipment, evaluated on a sample basis the reasonableness of market prices for equipment and management's assessment of forecasted demand by assessing historical movements, forecasted external metrics supporting product demand and based on discussions with management, including operations personnel.
  - For all other inventories, evaluated the reasonableness of the rate applied to the items that have not been sold or utilized in production for the past 24 months by considering past experience.
- Tested the completeness of the inventory provision by:
  - Testing the parts to be used in production and finished goods available for sale inventories at year-end were recorded at the lower of cost and net realizable value by comparing a sample of inventory items



Key audit matter	How our audit addressed the key audit matter
<p>have not been sold or utilized in production in the 24 months previous to the consolidated statements of financial position date. This resulted in a charge of \$363,000.</p> <p>We considered this a key audit matter due to the magnitude of the inventories and inventory provision balances and the significant judgments made by management in determining the inventory provision. This in turn led to a high degree of auditor judgment and effort in performing procedures related to the inventory provision.</p>	<p>to the most recent sales prices of inventories or similar items.</p> <ul style="list-style-type: none"><li>– Evaluating inventory product lines for which a portion of the inventory items have not been sold or utilized in production between 12 and 24 months, by considering forecasted external metrics supporting future demand and the Corporation’s backlog.</li></ul>

### Other information

Management is responsible for the other information. The other information comprises the Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial



statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Newton.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Edmonton, Alberta  
March 13, 2024



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in thousands of Canadian dollars)

As at	Note	December 31, 2023	December 31, 2022
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		15,726	21,469
Restricted cash	11(b)	-	846
Trade and other receivables	22(b)	10,410	12,976
Inventories	5	30,591	22,029
Prepaid expenses and deposits		1,022	1,139
		57,749	58,459
Other receivables	22(b)	-	39
Deferred tax assets	13	1,242	1,082
Property, plant and equipment	6	9,323	7,335
Intangible assets	7	5,311	7,175
Goodwill		3,616	3,703
<b>Total assets</b>		77,241	77,793
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	13,350	10,862
Dividends payable	14(d)	270	-
Income taxes payable		288	94
Customer deposits		4,293	4,572
Provisions	10	745	493
Current borrowings	11	-	2,265
Current lease liabilities	12	1,104	1,113
		20,050	19,399
Lease liabilities	12	3,208	4,428
Borrowings	11	-	2,252
<b>Total liabilities</b>		23,258	26,079
<b>Shareholders' equity</b>	14		
Share capital		17,395	60,135
Contributed surplus		46,271	5,758
Accumulated other comprehensive income		8,669	9,877
Accumulated deficit		(18,352)	(24,056)
<b>Total shareholders' equity</b>		53,983	51,714
<b>Total liabilities and shareholders' equity</b>		77,241	77,793

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

(signed) "Jim Rakievich"  
Director

(signed) "Terry Freeman"  
Director

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS

(Stated in thousands of Canadian dollars, except per share amounts)

For the years ended	Note	December 31, 2023	December 31, 2022
		\$	\$
<b>Revenue</b>	16	<b>69,689</b>	52,428
<b>Cost of sales</b>	17	<b>46,859</b>	36,665
<b>Gross profit</b>		<b>22,830</b>	15,763
General and administration	17	8,605	6,532
Product development and support	17	4,074	2,960
Sales and marketing	17	2,420	1,783
Finance charges, net	18	340	771
Other losses (gains), net	19	304	(4,072)
		<b>15,743</b>	7,974
<b>Earnings before income taxes</b>		<b>7,087</b>	7,789
<b>Income tax expense (recovery)</b>	20		
Current		745	111
Deferred		(187)	(1,085)
		<b>558</b>	(974)
<b>Net earnings</b>		<b>6,529</b>	8,763
<b>Other comprehensive (loss) gain</b>			
Translation (loss) gain of foreign operations		(1,208)	2,723
<b>Comprehensive earnings</b>		<b>5,321</b>	11,486
<b>Earnings per share</b>	21		
Basic from net earnings		<b>0.23</b>	0.31
Diluted from net earnings		<b>0.23</b>	0.31

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in thousands of Canadian dollars, except share amounts)

	Note	Issued capital			Accumulated other comprehensive income	Accumulated deficit	Total equity
		Number of shares	Share capital	Contributed surplus			
		#	\$	\$	\$	\$	\$
<b>Balances at January 1, 2022</b>		28,224,989	59,993	5,682	7,154	(32,819)	40,010
Net earnings		-	-	-	-	8,763	8,763
Translation gain on foreign operations		-	-	-	2,723	-	2,723
Equity settled employee share-based compensation expense	15	-	-	57	-	-	57
Issuance of common shares under restricted share plan	15	172,500	174	-	-	-	174
Issuance of common shares upon stock option exercise	15	20,000	22	(9)	-	-	13
Repurchase of shares	14(c)	(25,700)	(54)	28	-	-	(26)
<b>Balances at December 31, 2022</b>		28,391,789	60,135	5,758	9,877	(24,056)	51,714
Net earnings		-	-	-	-	6,529	6,529
Translation loss on foreign operations		-	-	-	(1,208)	-	(1,208)
Equity settled employee share-based compensation expense	15	-	-	33	-	-	33
Issuance of common shares upon stock option exercise	15	120,000	130	(52)	-	-	78
Issuance of common shares under restricted share plan	15	185,000	252	-	-	-	252
Reduction of stated capital	14(b)	-	(42,000)	42,000	-	-	-
Repurchase of shares	14(c)	(1,741,853)	(1,122)	(1,468)	-	-	(2,590)
Dividends declared	14(d)	-	-	-	-	(825)	(825)
<b>Balances at December 31, 2023</b>		26,954,936	17,395	46,271	8,669	(18,352)	53,983

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands of Canadian dollars)

For the years ended	Note	December 31, 2023	December 31, 2022
<b>Cash generated from (used in)</b>		\$	\$
<b>Operating activities</b>			
Net earnings		6,529	8,763
Adjustments for:			
Depreciation of property, plant and equipment	6	1,985	1,846
Amortization of intangible assets	7	1,823	1,151
Income tax expense (recovery)	20	558	(974)
Finance charges, net	18	340	771
Share-based compensation expense	15	1,307	566
Changes in non-cash working capital balances	25	(4,480)	(4,328)
Change in restructuring and facility remediation provisions	10	(30)	(74)
Income taxes paid		(534)	(13)
Finance costs paid, net		(733)	(699)
Gain on disposal of property, plant and equipment	19	(24)	(4,138)
<b>Net cash generated from operating activities</b>		<b>6,741</b>	<b>2,871</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	6	(4,450)	(1,116)
Proceeds from sale of property, plant and equipment		38	8,810
Additions to intangible assets	7	(93)	(782)
<b>Net cash (used in) generated from investing activities</b>		<b>(4,505)</b>	<b>6,912</b>
<b>Financing activities</b>			
Repayment of borrowings	11	(4,553)	-
Proceeds from issuance of common shares under restricted share plan	15	252	174
Proceeds from the issuance of common shares from stock options	15	78	13
Repurchase of shares	14	(2,590)	(26)
Principal elements of lease payments	12	(1,124)	(579)
Dividends paid	14(d)	(555)	-
Reduction in restricted cash	11(b)	846	110
<b>Net cash used in financing activities</b>		<b>(7,646)</b>	<b>(308)</b>
Effect of exchange rate changes on cash and cash equivalents		(333)	855
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(5,743)</b>	<b>10,330</b>
<b>Cash and cash equivalents – beginning of the year</b>		<b>21,469</b>	<b>11,139</b>
<b>Cash and cash equivalents – end of the year</b>		<b>15,726</b>	<b>21,469</b>

The accompanying notes are an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

(in thousands of Canadian dollars, except share data or unless otherwise specified)

### 1. NATURE OF OPERATIONS

McCoy Global Inc. (“McCoy”, “McCoy Global” or the “Corporation”) is incorporated and domiciled in Canada and is a leading provider of equipment and technologies designed to support tubular running operations, enhance wellbore integrity and assist with collecting critical data for the global energy industry. McCoy Global’s core products are used predominantly during the well construction phase for both land and offshore wells during both oil and gas exploration and development.

The Corporation is engaged in the following:

- design, production and distribution of capital equipment to support tubular running operations, enhance wellbore integrity and to support capital equipment sales through aftermarket products and services such as technical support, consumables and replacement parts;
- design, production and distribution of data collection technologies used in rugged applications for the global energy industry as well as in construction, marine and aerospace;
- repair, maintenance and calibration of the Corporation’s capital equipment install base and similar competitor products; and
- rental of the Corporation’s equipment and technologies.

Set out below are McCoy’s principal operations:

Operating Name	Country of Incorporation	Operating Region	Ownership Interest
McCoy Global Canada Corp.	Canada	Canada	100%
McCoy Global FZE	United Arab Emirates	Eastern Hemisphere	100%
McCoy Global USA, Inc.	United States	United States, Central America & Latin America	100%

McCoy and its subsidiary companies are collectively referred to herein as the “Corporation.”

The address of the registered office of the Corporation is Livingston Place, 1000 - 250 2nd Street SW, Calgary, Alberta. The Corporation is listed on the Toronto Stock Exchange (“TSX”) under the symbol “MCB.”

### 2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”).

These consolidated financial statements were approved by the Board of Directors on March 13, 2024.

### 3. MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all years presented unless otherwise stated herein.

#### a) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

The consolidated financial statements have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes. The consolidated financial statements are presented in Canadian dollars, rounded to the nearest thousand, except when otherwise indicated. The Corporation’s Canadian operations have a functional currency of Canadian dollars. The Corporation’s principal operations in the United States and the United Arab Emirates have a functional currency of US dollars.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of earnings and comprehensive earnings are presented using the function classification for expenditures.

**b) BASIS OF CONSOLIDATION**

Subsidiaries are those entities the Corporation controls. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation until the date control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries.

**c) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the Corporation's consolidated financial statements requires management to make estimates and judgments about the future that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. If these estimates and judgments prove to be inaccurate, future earnings may be materially impacted.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized prospectively. Actual results may differ from those estimates.

The areas involving a higher degree of judgment or estimation that are significant to the consolidated financial statements are as follows:

**(i) INVENTORIES**

The Corporation records inventories at the lower of cost and net realizable value. Inventory writedowns, or reversals of previous writedowns, are recorded each period as required and updated based on management's judgment. Further information regarding this judgment is described in note 3(g) and note 5.

**(ii) TRADE AND OTHER RECEIVABLES**

The Corporation records trade and other receivables at amortized cost. Writedowns for trade and other receivables are recorded each period as required under the expected credit loss model and further updated based on management's judgment. Further information regarding judgments is described in note 22(b)(ii).

**(iii) PROVISIONS**

Estimates and judgments are used in measuring and recognizing provisions and the Corporation's exposure to contingent liabilities. Judgment is necessary to determine the likelihood and estimated future outflow of resources that may be required to settle any future or existing claims, onerous contracts or contingent obligations. Further information regarding these estimates and judgments are described in note 3(l) and note 10.

**(iv) INCOME TAXES**

The Corporation operates in several tax jurisdictions and is required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. The calculation of income taxes requires the use of judgment. Further information regarding the judgment used is described in note 3(n) and note 20.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Judgment and estimation are necessary to determine the likelihood and availability of future taxable profits against which tax losses and tax credits carried forward can be used. Further information regarding this judgment is described in note 3(n) and note 13.

**(v) IMPAIRMENT OF NON-FINANCIAL ASSETS**

Long-lived assets include property, plant and equipment, intangible assets and goodwill. The carrying value of these assets is periodically reviewed for impairment (goodwill and intangibles under development at least annually) or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the accounting policy stated in note 3(k). Judgment is required in the aggregation of assets into Cash Generating Units ("CGUs").

The recoverable amounts of CGUs are determined based on the greater of fair value less cost to sell and value-in-use calculations. These calculations require the use of estimates and judgments, including an estimation of the future cash flows from the CGU or group of CGUs and judgment is required in determining the appropriate discount rate. In deriving the underlying projected cash flows, assumptions must also be made about the impact of technology adoption, future drilling activity, operating margins and market conditions over the useful life of the assets or CGUs. Although estimates are consistent with current industry reports, internal planning and expected future operations, such estimations are subject to uncertainty and judgment. Further information regarding the estimates and judgment used is described in note 8.

**(vi) LEASES**

Extension options are included in a number of property leases within the Corporation. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

The Corporation makes estimates in determining the incremental borrowing rate used to measure the lease liability for each lease contract. The incremental borrowing rate should reflect the interest that the Corporation would have to pay to borrow at a similar term with similar security.

**d) TRANSLATION OF FOREIGN CURRENCY**

**(i) FOREIGN CURRENCY TRANSACTIONS**

Monetary and non-monetary transactions denominated in foreign currencies are translated into the entity's functional currency at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. Foreign currency translation differences are recognized in earnings or loss.

**(ii) FOREIGN OPERATIONS**

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates at the reporting date. The earnings and expenditures of foreign operations are translated into Canadian dollars each month using the monthly average foreign exchange rate applicable for that month. Currency translation differences, including those on monetary items that form part of a net investment in a foreign operation, are recognized in other comprehensive income ("OCI") as a translation gain or loss on foreign operations, and may be subsequently reclassified to earnings or loss on disposal of a foreign operation.

**e) FINANCIAL INSTRUMENTS**

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligation has been discharged, cancelled or expired.

**(i) NON-DERIVATIVE FINANCIAL INSTRUMENTS**

At initial recognition, non-derivative financial instruments are measured at fair value and are classified as either amortized cost or fair value through profit or loss.

The Corporation has designated its non-derivative financial instruments as follows:

Financial Instrument	Measurement
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Borrowings	Amortized cost
Onerous contracts provisions	Amortized cost

Financial instruments at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, these instruments are measured at amortized cost using the effective interest method less a provision for impairment.

**f) CASH AND CASH EQUIVALENTS**

Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition.

**g) INVENTORIES**

Raw materials, work-in-progress and finished goods inventories are recorded at the lower of cost, as determined on a weighted average cost basis, and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of work-in-progress and finished goods and manufactured production parts inventories includes raw materials, direct labour and an estimated share of production overheads based on normal operating capacity. If the carrying value exceeds net realizable value, a writedown is recognized. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the writedown is reversed. The maximum reversal of any amount is the original writedown, so that the new carrying amount is the lower of cost and the revised net realizable value.

Finished goods consist of parts and equipment inventories that are available for sale to external parties. Certain parts, classified as finished goods, may also be used in the production of other finished goods.

**h) PROPERTY, PLANT AND EQUIPMENT**

**(i) RECOGNITION AND MEASUREMENT**

Items of property, plant and equipment ("PP&E") are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of PP&E have different useful lives, they are accounted for as separate major components of PP&E.

Gains and losses on disposals of PP&E are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in earnings.



**(ii) SUBSEQUENT COSTS**

Costs incurred subsequent to an asset being put into use are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to earnings or loss as incurred.

**(iii) DEPRECIATION**

PP&E is depreciated on a straight-line basis over the period of their expected useful lives as follows:

Machinery and office equipment	3 – 15 years
Rental equipment	4 – 8 years
Computer equipment	1 – 3 years
Right-of-use (ROU) assets	Lesser of the term of related lease and asset useful life
Leasehold improvements	Lesser of the term of related lease and asset useful life

Depreciation is not recognized on assets under construction until such time that they are ready for their intended use.

**i) INTANGIBLE ASSETS**

**(i) INTERNALLY GENERATED INTANGIBLE ASSETS**

Expenditures on research are recognized as an expense as incurred.

Costs incurred on product development are capitalized as intangible assets when it is probable the development will provide economic benefits, considering its commercial and technical feasibility, the resources available for development and that costs can be measured reliably. The expenditures capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to the asset in order for it to be capable of operating in the manner intended by management. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

The Corporation has incurred costs associated with the purchase and development of computer software. Computer software is initially recorded at cost, including directly attributable expenditures that are necessary to prepare the software for its intended use. Costs associated with maintaining computer software are recognized as an expense as incurred. Subsequent to initial recognition, software development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

**(ii) AMORTIZATION**

Intangible assets with finite lives are amortized on a straight-line basis over the period of their expected useful lives as follows:

Acquired intellectual property	7 years
Internally generated intellectual property	3 – 5 years
Software	1 – 5 years

Amortization is not recognized on assets under development until such time that they are ready for their intended use.

**j) GOODWILL**

Goodwill reflects the excess of the consideration transferred, amount of non-controlling interest in the acquired entity, and the acquisition date fair value of any prior equity interest in the acquired entity over the fair value of the net identified assets acquired.

Goodwill is not amortized but is assessed for impairment at least annually or when events and circumstances indicate that the carrying value may not be recoverable as described in note 3(l).

**k) IMPAIRMENT**

**(i) FINANCIAL ASSETS**

The Corporation applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced by this amount, either directly or indirectly, through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

**(ii) NON-FINANCIAL ASSETS**

The carrying values of non-financial assets, such as PP&E and intangible assets with finite useful lives, are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is determined. Goodwill and intangible assets with indefinite useful lives or under development are tested for impairment at least annually.

For impairment testing, assets are grouped together into CGUs, defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. Corporate assets are allocated to CGUs on a reasonable and consistent basis, where possible.

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

An impairment loss is recognized in earnings for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairments of goodwill are never reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**l) PROVISIONS**

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A restructuring provision is recognized when the Corporation has developed a detailed formal plan for restructuring and has formally announced the plan's main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Corporation.

**m) LEASES**

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition of a lease in IFRS 16.

- **As a lessee**

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or the cost of the right-of-use asset reflects that the Corporation will exercise a purchase option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The Corporation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

- **As a lessor**

When the Corporation acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made by customers under operating leases (net of any incentives received from the lessor) are charged to earnings on a straight-line basis over the period of the lease.

Leases in which substantially all the risks and rewards of ownership have transferred to the Corporation's customers are classified as finance leases.

Each lease payment is allocated between revenue and finance income to achieve a constant rate on the finance lease balance outstanding. The corresponding rental receivables, net of finance charges, are included in other receivables on the consolidated statements of financial position. The interest element of the finance income is charged to earnings or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## **n) INCOME TAXES**

Income tax expense comprises current and deferred taxes. Current and deferred taxes are normally recognized in earnings or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income for the period, using the tax rates enacted, or substantively enacted, at the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when they relate to taxes levied by the same tax authority on the same taxable entity and there is a legally enforceable right to offset the current tax assets and liabilities.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

**o) SHARE-BASED COMPENSATION**

**(i) EQUITY SETTLED SHARE-BASED COMPENSATION**

The Corporation grants share options to certain employees, which are equity settled. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized as an employee expense over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

**(ii) CASH SETTLED SHARE-BASED COMPENSATION**

The Corporation grants deferred share units ("DSUs") to certain directors of the Corporation and the Corporation also grants restricted shares under the terms of its restricted share plan ("RSP") to certain employees of the Corporation, which are cash settled. Fair value is measured at the date of grant using the share price at the date of issuance. Compensation expense is recognized over the vesting period based on the number of awards expected to vest, by increasing or decreasing liabilities. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately. The fair value of the liability is remeasured on each consolidated statement of financial position date and settlement date, with any changes in fair value recognized in earnings or loss.

The Corporation grants director performance share units ("DPSUs") to certain directors of the Corporation, which are cash settled. Fair value is measured at the date of grant and at each subsequent reporting period using a Monte Carlo share pricing simulation. Compensation expense is recognized over the vesting period based on the number of awards expected to vest, by increasing or decreasing the associated liability. The number of awards expected to vest is reviewed at each reporting period, with any impact recognized immediately. The fair value of the liability is remeasured on each consolidated statement of financial position date and settlement date, with any changes in fair value recognized in earnings or loss.

**p) REVENUE**

**(i) SALE OF PRODUCTS**

The Corporation's products are sold based on purchase orders or contracts with customers that include fixed or determinable prices and do not generally include a right of return or other significant post-delivery obligations. Revenue from product sales is recognized at a point in time when a performance obligation has been satisfied by transferring control of promised goods to the customer, which is typically at the point of shipment. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. Payment terms and conditions vary, but contracts generally do not include a significant financing component. Provisions for estimated warranty costs are made at the time the related revenue is recognized.

Miscellaneous charges invoiced to customers such as those for freight and crating are recorded on a net basis against the costs incurred within the cost of sales line item on the consolidated statements of earnings and comprehensive earnings as the Corporation acts in an agent role for these activities.

**(ii) RENDERING OF SERVICES**

Revenues from repair, maintenance and calibration services are recognized over time as the services are rendered. Rates for services are typically priced on a per man-hour or similar basis.

**(iii) RENTAL**

Revenues from equipment rentals are recognized when there is a written arrangement in the form of a contract or purchase order with the customer, a fixed or determinable sales price is established with the customer, performance requirements are achieved and when recovery of the consideration is probable. Equipment rental revenue is recognized as performance requirements are achieved in accordance with the terms of the relevant agreement with the customer.

**4. FUTURE ACCOUNTING PRONOUNCEMENTS**

The Corporation adopted the amendments to IAS 1 Presentation of Financial Statements regarding the disclosures of material accounting policies and amendments to IAS 8 Changes in Accounting Estimates and Errors regarding the definition of accounting estimates. These amendments did not have a material impact on the financial statements.

In January 2020, the International Accounting Standards Board (“IASB”) issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments clarify that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period. The amendments also clarify the definition of a settlement and provide situations that would be considered as a settlement of a liability. In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). These further amendments clarify how to address the effects on classification and disclosure of covenants that an entity is required to comply with on or before the reporting date and covenants that an entity must comply with only after the reporting date. The amendments are effective for reporting periods beginning on or after January 1, 2024. The Corporation has not yet determined the impact that these amendments will have on its consolidated financial statements.

There are no other standards or amendments or interpretations to existing standards issued but not yet effective which are expected to have a material impact on the financial statements.

## 5. INVENTORIES

As at	December 31, 2023			December 31, 2022		
	Gross inventories	Provision for excess and obsolescence	Net inventories	Gross inventories	Provision for excess and obsolescence	Net inventories
	\$	\$	\$	\$	\$	\$
Raw materials	1,812	(268)	1,544	1,568	(314)	1,254
Work-in-progress	3,038	(134)	2,904	3,134	-	3,134
Parts to be used in production	13,973	(2,032)	11,941	13,294	(2,444)	10,850
Production inventory	18,823	(2,434)	16,389	17,996	(2,758)	15,238
Capital equipment available for sale	3,075	(259)	2,816	2,090	(349)	1,741
Parts and accessories available for sale	13,843	(2,457)	11,386	7,449	(2,399)	5,050
	35,741	(5,150)	30,591	27,535	(5,506)	22,029

Production inventories are purchased or produced for use in the production of finished goods. Finished goods available for sale consist of capital equipment and parts and accessories inventories that are available for sale to external parties.

Included in cost of sales for the year ended December 31, 2023, is a net write-down of \$279 (2022 - \$486). A write-down is taken if management determines that the carrying value of the inventory item(s) exceed net realizable value. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The maximum amount of any reversal is the original write-down, such that the new carrying amount is the lower of cost or the revised net realizable value.

The net realizable value of capital equipment included in inventories is assessed on an individual product basis considering current market prices for the equipment and management’s assessment of forecasted demand. For the year ended December 31, 2023, this resulted in a net recovery of \$84 (2022 - \$23).

All other items in inventory are assessed for obsolescence at a distinct part level. The estimated net realizable value of these items is determined using a formulaic approach, providing for items that have not been sold or utilized in production in the 24 months previous to the consolidated statements of financial position date. This resulted in a provision of \$363 (2022 - \$509).

During the year ended December 31, 2023, the Corporation disposed of \$510 of inventory that had been identified as excess and obsolete and provided for in previous years (2022 - \$1,805).

## 6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery, office and computer equipment	Rental equipment	Right-of-use assets - buildings	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
At January 1, 2022	1,299	3,252	7,466	6,510	5,171	1,794	25,492
Additions	-	-	226	-	869	21	1,116
Transfers from inventory	-	-	-	870	-	-	870
Disposals and retirements	(1,392)	(3,487)	(246)	(415)	-	-	(5,540)
Foreign exchange	93	235	506	463	334	105	1,736
<b>At December 31, 2022</b>	-	-	7,952	7,428	6,374	1,920	23,674
Additions	-	-	758	-	-	303	1,061
Transfers from inventory	-	-	-	3,389	-	-	3,389
Transfers to inventory	-	-	-	(1,037)	-	-	(1,037)
Disposals and retirements	-	-	(22)	-	-	-	(22)
Foreign exchange	-	-	(197)	(221)	(131)	(45)	(594)
<b>At December 31, 2023</b>	-	-	8,491	9,559	6,243	2,178	26,471
<b>Accumulated depreciation</b>							
At January 1, 2022	-	1,108	6,835	3,728	2,180	1,524	15,375
Depreciation	-	134	211	779	653	69	1,846
Disposals and retirements	-	(1,317)	(246)	(373)	-	-	(1,936)
Foreign exchange	-	75	465	278	141	95	1,054
<b>At December 31, 2022</b>	-	-	7,265	4,412	2,974	1,688	16,339
Depreciation	-	-	184	857	847	97	1,985
Transfers to inventory	-	-	-	(778)	-	-	(778)
Disposals and retirements	-	-	(15)	-	-	-	(15)
Foreign exchange	-	-	(171)	(105)	(70)	(37)	(383)
<b>December 31, 2023</b>	-	-	7,263	4,386	3,751	1,748	17,148
<b>Carrying amount</b>							
At December 31, 2022	-	-	687	3,016	3,400	232	7,335
<b>At December 31, 2023</b>	-	-	1,228	5,173	2,492	430	9,323

During the year ended December 31, 2023, depreciation included in cost of sales amounted to \$1,763 (2022 - \$1,618) and depreciation in general and administration amounted to \$222 (2022 - \$228).

During the year ended December 31, 2023, \$1,037 of rental equipment with accumulated depreciation of \$778 was transferred back to inventory (2022 - \$nil) and subsequently sold, with the sale proceeds recognized in revenues (sale of products, parts and consumables) and the depreciated cost recognized in cost of sales.

As at December 31, 2023, the gross carrying amount of fully depreciated Property, Plant and Equipment still in use was \$10,421 (2022 - \$10,128).

Additions to the rental fleet during 2023 and 2022 were comprised of equipment capitalized from inventory.

During the year ended December 31, 2022, the Corporation entered into a sale and leaseback arrangement for its Cedar Park, Texas facility. The terms of the transaction were as follows:

- Net proceeds for the sale of the property were \$8,824 (US\$6,492) inclusive of \$214 (US\$158) transaction costs;
- Net book value of the land and building at the time of sale was \$3,539 (US\$2,613);

- The term of the lease-back arrangement is from December 22, 2022 to December 31, 2027 with an option to extend for five additional years; and
- Contractual annual lease payments under the arrangement are US\$402 for the period from December 22, 2022 to December 21, 2023, increasing by 2.5% in each subsequent year.

The lease-back arrangement resulted in a net increase of \$904 to right-of-use assets and increase in lease liabilities of \$2,301, with the difference recorded as a reduction to the gain on sale of the facility of \$1,397, which was included in other gains, net on the consolidated statements of earnings and comprehensive earnings. The lease liability was measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as at December 22, 2022. The weighted average incremental borrowing rate applied to the lease agreement on December 22, 2022 was 8.85%.

## 7. INTANGIBLE ASSETS

	Internally generated intellectual property	Acquired intellectual property	Software and internally generated software	Total
	\$	\$	\$	\$
<b>Cost</b>				
At January 1, 2022	6,269	2,475	2,847	11,591
Additions	782	-	-	782
Foreign exchange	460	169	1	630
At December 31, 2022	7,511	2,644	2,848	13,003
Additions	93	-	-	93
Foreign exchange	(179)	(61)	-	(240)
<b>At December 31, 2023</b>	<b>7,425</b>	<b>2,583</b>	<b>2,848</b>	<b>12,856</b>
<b>Accumulated amortization</b>				
At January 1, 2022	919	796	2,806	4,521
Amortization	774	365	12	1,151
Foreign exchange	89	66	1	156
At December 31, 2022	1,782	1,227	2,819	5,828
Amortization	1,435	376	12	1,823
Foreign exchange	(72)	(34)	-	(106)
<b>At December 31, 2023</b>	<b>3,145</b>	<b>1,569</b>	<b>2,831</b>	<b>7,545</b>
<b>Carrying amounts</b>				
At December 31, 2022	5,729	1,417	29	7,175
<b>At December 31, 2023</b>	<b>4,280</b>	<b>1,014</b>	<b>17</b>	<b>5,311</b>

As at December 31, 2023, internally generated intellectual property that was under development and not amortized amounted to \$21 (2022 - \$1,414).

During the year ended December 31, 2023, amortization included in cost of sales amounted to \$1,811 (2022 - \$1,139) and amortization in general and administration amounted to \$12 (2022 - \$12).

When it is determined that the cost and accumulated amortization of assets have no remaining economic lives and are no longer in use, they are retired. As at December 31, 2023, the gross carrying amount of fully amortized intangible assets still in use was \$3,032 (2022 - \$3,011).

The remaining amortization period of the finite life intangible assets is as follows:

	2023	2022
Internally generated intellectual property	3 – 5 years	2 – 5 years
Acquired intellectual property	3 years	5 years
Software	1 – 2 years	1 – 4 years

## 8. IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets under development are tested for impairment annually. The carrying amount of goodwill, and intangible assets under development are included in the Corporation's sole CGU and the recoverable amount of this CGU was determined based on its value in use, by discounting estimated future cash flows expected to be generated. The determination of the recoverable amount of the CGU uses projections over a three-year period based on financial budgets approved by management and reviewed by the Corporation's Board of Directors. This evaluation was prepared as of December 31, 2023 (2022 - December 31).

Key assumptions used for the value in use calculations over the three-year financial forecast period include:

	2023	2022
Average revenue growth	18.0%	33.0%
Average gross profit percentage	34.2%	35.7%
After-tax discount rate	18.0%	18.6%

Management has determined the values assigned to each of the above key assumptions as follows:

- Revenue cash flows: Estimated cash flows are based on actual and forecasted orders which are projected for future periods based on management's expectations on new technology adoption, forecasted North American and international rig and well counts, and past performance.
- Gross profit percentage: Based on past performance and management's expectations for the future.
- After-tax discount rate: Estimated weighted average cost of capital that reflects the specific risks relating to the Corporation and locations in which it operates.

On completion of the impairment assessment, it was determined that no impairment was to be recognized as the recoverable amount significantly exceeded the carrying value of the Corporation's non-financial assets. No reasonably possible change to the key assumptions on which management has based its determination of the sole CGUs recoverable amount would cause the carrying amount to exceed its recoverable amount.

## 9. TRADE AND OTHER PAYABLES

	Note	2023	2022
		\$	\$
Trade payables		8,556	8,564
Accrued liabilities and other payables		3,211	1,731
Cash settled share-based compensation - DPSU	15(b)	431	-
Cash settled share-based compensation - DSU	15(b)	815	329
Cash settled share-based compensation - RSP	15(b)	337	238
		13,350	10,862



## 10. PROVISIONS

	Warranty	Restructuring	Facility remediation	Total
	\$	\$	\$	\$
At January 1, 2022	494	59	45	598
Provisions made during the year	390	-	-	390
Change in estimate	(251)	-	(47)	(298)
Provisions utilized during the year	(204)	(29)	-	(233)
Foreign exchange	34	-	2	36
At December 31, 2022	463	30	-	493
Provisions made during the year	555	-	-	555
Change in estimate	363	-	-	363
Provisions utilized during the year	(618)	(30)	-	(648)
Foreign exchange	(18)	-	-	(18)
<b>At December 31, 2023</b>	<b>745</b>	<b>-</b>	<b>-</b>	<b>745</b>

### a) WARRANTY

The warranty provision relates to the expected cost of meeting warranty obligations. Judgment related to the provisions is based on estimates of the warranty required for newly developed products vs. established products, historical data and other known information for products sold on or before the reporting date.

### b) RESTRUCTURING

Restructuring provisions relate to certain unavoidable operation costs associated with onerous contracts that were recognized in conjunction with the Corporation's restructuring plans and cost containment.

## 11. BORROWINGS

Changes in liabilities for which cash flows have been classified as financing activities in the consolidated statements of cash flows are as follows:

	Senior Secured Term Loan II
	\$
Balances at January 1, 2022	4,194
Amortization of deferred charges	51
Foreign exchange adjustment	272
Balances at December 31, 2022	4,517
Repayment of borrowings	(4,553)
Amortization of deferred charges	64
Foreign exchange adjustment	(28)
<b>Balances at December 31, 2023</b>	<b>-</b>

### a) SENIOR SECURED TERM LOAN II

As at December 31, 2022, the Corporation had US\$3,400 outstanding under its Senior Secured Term Loan II, no repayments were required during the year ended December 31, 2022. During the year ended December 31, 2023, the Corporation repaid the full balance of \$4,553 (US\$3,400) outstanding under the term loan at its option. Prepayment penalties amounted to \$122,

calculated as 90 days' interest on the principal amount being prepaid. Remaining deferred financing charges at the time of repayment of \$64 were fully amortized into income along with the prepayment penalty under finance charges on the consolidated statement of earnings and comprehensive earnings.

#### b) REVOLVING DEMAND FACILITY

The Corporation holds a revolving demand facility with a Canadian chartered bank. During the year ended December 31, 2023, the creditor released \$846 (US\$625) of cash previously held as collateral under its authority, which historically was recorded as restricted cash. As at December 31, 2023, the amount available under the revolving demand facility was \$7,274, with \$nil committed to letters of credit (December 31, 2022 – \$3,295, with \$91 committed to letters of credit). During the year ended December 31, 2023, the Corporation increased its revolving demand facility from \$3,307 (US\$2.5 million) to \$7,274 (US\$5.5 million). The balance available was calculated as the lessor of \$7,274; and the total of 75% of eligible US and Canadian accounts receivables, net of customer deposits, aged less than 90 days; 75% of eligible foreign accounts receivable, net of customer deposits, aged less than 90 days to a maximum of \$3,637 (US\$2.75 million), and 50% of raw materials and finished goods inventory, net of 30 days accounts payable to a maximum of \$3,637 (US\$2.75 million).

In addition to extending the demand facility, the Corporation secured a commitment for a \$4,497 (US\$3.4 million) term loan, bearing interest at US Prime + 0.90%. The commitment is valid until June 30, 2024 and is subject to customary terms and conditions, including a financial covenant minimum Debt Service Coverage ratio of 1.2:1 and certain customary disbursement conditions.

#### c) CASH SECURED CREDIT FACILITY

During the year ended December 31, 2022, the Corporation terminated its \$110 cash secured credit facility, under which \$110 of cash and cash equivalents was previously held as collateral is presented as restricted cash on the condensed consolidated statements of financial position.

## 12. LEASE LIABILITIES

The Corporation recognizes lease liabilities in relation to contractual lease payments, measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate.

	Note	2023	2022
		\$	\$
Lease liability as at January 1		5,541	3,620
Finance charges on lease liabilities	18	443	305
Additions to lease liabilities	6	-	2,301
Principal elements of lease payments		(1,124)	(579)
Payment of finance charges on lease liabilities		(443)	(305)
Foreign exchange		(105)	199
<b>Lease liability as at December 31</b>		<b>4,312</b>	<b>5,541</b>
Current		1,104	1,113
Non-current		3,208	4,428

### 13. DEFERRED TAXES

#### a) RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

The income tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	\$	\$	\$	\$	\$	\$
PP&E	-	(1,032)	(1,032)	-	(922)	(922)
Intangible assets	-	(805)	(805)	-	(939)	(939)
Inventories	1,367	-	1,367	1,426	-	1,426
Lease liabilities	884	-	884	1,384	-	1,384
Provisions	156	-	156	98	-	98
Interest carryforwards	645	-	645	-	-	-
Carryforward tax losses	27	-	27	35	-	35
Deferred tax assets	3,079	(1,837)	1,242	2,943	(1,861)	1,082
Set off of deferred tax liabilities	(1,837)	1,837	-	(1,861)	1,861	-
<b>Net deferred tax assets</b>	<b>1,242</b>	<b>-</b>	<b>1,242</b>	<b>1,082</b>	<b>-</b>	<b>1,082</b>

With respect to deferred tax assets and liabilities presented above, \$842 of the deferred tax assets (2022 - \$722) are expected to reverse within the next twelve months.

Estimates and judgments are used in evaluating the recognition of deferred tax assets. Judgement and estimation are necessary to determine the likelihood and availability of future taxable profits against which tax losses and tax credits carried forward can be used. Furthermore, the Corporation operates in several tax jurisdictions and is required to estimate its income taxes in each of these tax jurisdictions.

The determination of the future taxable profits against which tax losses and tax credits carried forwards can be utilized uses projections over a three-year period based on financial budgets approved by management and reviewed by the Corporation's Board of Directors, consistent with those described in note (8).

In addition to the key assumptions described in note (8), key assumptions used in order to estimate future taxable profits in each of the tax jurisdictions the Corporation operates, include:

- Product-line revenue mix: Based on management's expectations on new technology adoption, forecasted North American and international rig and well counts, and past performance.
- Geographic revenue mix: Based on management's expectations on new technology adoption, forecasted North American and international rig and well counts, and past performance.

## b) UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets have not been recognized in respect of the following items:

	2023	2022
	\$	\$
Deductible temporary differences	2,463	3,159
Tax losses	2,568	2,947
	5,031	6,106

Based on management's current estimates of future taxable earnings for the applicable tax jurisdiction, the recoverability of these items is indeterminable and as such, deferred tax assets have not been recognized in respect of these amounts.

## c) TAX LOSSES CARRIED FORWARD

Unrecognized deferred tax assets derived from tax losses expire as follows:

	2023		2022	
	Gross amount	Tax effect	Gross amount	Tax effect
	\$	\$	\$	\$
2035	-	-	27	6
2036	2,830	651	4,046	931
2037	2,286	526	2,286	526
2038	266	61	266	61
2039	2,417	556	2,436	560
2040	1,777	409	1,947	448
2041	753	173	753	173
2042	831	192	1,049	242
	11,160	2,568	12,810	2,947

Deferred tax assets have not been recognized in respect of capital losses of \$24,527 (2022 - \$25,052) as it is not probable that future taxable capital gains will be available against which the Corporation can utilize the benefits of these losses. These losses do not expire.

## 14. SHAREHOLDERS' EQUITY

### a) SHARE CAPITAL

#### AUTHORIZED

- (i) Unlimited number of common, voting shares
- (ii) Unlimited number of preferred, non-voting shares

### b) STATED CAPITAL

During the year ended December 31, 2023, following shareholders' approval at the Corporation's Annual General and Special meeting, the Corporation reduced its stated capital by \$42,000. Accordingly, contributed surplus increased by the corresponding amount.

**c) REPURCHASE OF COMMON SHARES**

On August 18, 2022, the Corporation announced a normal course issuer bid (NCIB). The Corporation was entitled to purchase, for cancellation, up to a maximum of 1,420,874 common shares, equal to five percent of the issued and outstanding common shares of 28,417,489 as at August 15, 2022. The Corporation was also limited under the NCIB to purchasing no more than 5,418 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB continued until August 21, 2023.

On August 18, 2023, the Corporation announced a renewal of the NCIB. The Corporation is entitled to purchase, for cancellation, up to a maximum of 1,605,053 common shares, equal to ten percent of the public float of 16,050,532 common shares as at August 15, 2023. The Corporation is also limited under the NCIB to purchasing no more than 4,192 common shares on any given day, subject to the block purchase exemption under the TSX rules.

During the year ended December 31, 2023, the Corporation purchased 1,741,853 common shares pursuant to its NCIB at a weighted average price of \$1.47 per share for total consideration of \$2,590 and the Corporation completed the August 2023 NCIB. The shares were cancelled prior to December 31, 2023. During the year ended December 31, 2022, the Corporation purchased 25,700 common shares pursuant to its NCIB at a weighted average price of \$1.02 per share for total consideration of \$26. The shares were cancelled prior to December 31, 2022.

**d) DIVIDENDS**

During the year ended December 31, 2023, the Corporation reinstated a quarterly cash dividend of \$0.01 per common share.

Dividend declared	Dividend paid	Total dividend	Amount per common share
		\$	\$
June 30, 2023	July 15, 2023	286	0.01
September 30, 2023	October 15, 2023	269	0.01
December 31, 2023	January 15, 2024	270	0.01
		<b>825</b>	<b>0.03</b>

**15. SHARE-BASED COMPENSATION**

**a) EQUITY SETTLED SHARE-BASED COMPENSATION**

The Corporation’s share option plan for employees is administered by the Human Resources, Compensation & Governance Committee, which is a subcommittee of the Board of Directors. The Human Resources, Compensation & Governance Committee designates eligible participants to be included under the plan and designates the number of options and share price of the options, subject to applicable securities laws and stock exchange regulations.

The aggregate number of common shares issuable under the plan can be no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis when combined with shares issued under the restricted share plan as described below. In addition, no more than 5% of outstanding shares may be reserved for options granted to any one person and no more than 10% of outstanding shares may be reserved for options granted to insiders. The maximum term of options granted under the plan is ten years. Per the terms of the plan, the options vest evenly over no less than a five-year vesting period. The exercise price of options is determined by the Board of Directors, but cannot be lower than the market price of shares on the last trading day preceding the grant date.

The following reflects activity under the employee share option plan:

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding, January 1	1,555,000	1.52	1,710,000	1.49
Granted	-	-	-	-
Forfeited	-	-	(135,000)	1.23
Exercised	(120,000)	0.65	(20,000)	0.65
<b>Outstanding, December 31</b>	<b>1,435,000</b>	<b>1.59</b>	<b>1,555,000</b>	<b>1.52</b>
<b>Exercisable, December 31</b>	<b>1,296,000</b>	<b>1.70</b>	<b>1,249,000</b>	<b>1.72</b>

Options with the following exercise price ranges were outstanding as at December 31:

Exercise price range	2023		2022	
	Options outstanding	Weighted average remaining contractual life	Options outstanding	Weighted average remaining contractual life
	#	years	#	Years
< \$1	565,000	5.95	685,000	6.95
\$1 to \$2	490,000	3.05	490,000	4.05
\$2 to \$3	180,000	3.02	180,000	4.02
\$3 to \$4	200,000	1.21	200,000	2.21
	<b>1,435,000</b>	<b>3.93</b>	<b>1,555,000</b>	<b>5.09</b>

There were 120,000 options exercised during the year at a weighted average exercise price of \$0.65 per share (2022 – 20,000 options exercised during the year at a weighted average exercise price of \$0.65 per share).

#### b) CASH SETTLED SHARE-BASED COMPENSATION

The Corporation has a DSU plan for Directors of the Corporation who are designated as participants by the Human Resources, Compensation & Governance Committee. The DSU plan has two components: an “appointment grant” and a “continuous grant.” The appointment grant is provided to each newly appointed Director. The appointment grant fully vests on the third anniversary of the grant date. The continuous grant provides for an annual issue of DSUs to eligible Directors. One-third of the continuous grant vests annually on the anniversary of the grant date. The DSUs can only be exercised on exiting from the Board of Directors.

On exiting from the Board of Directors, the DSUs are redeemed for cash based on the market price of any vested DSUs at the time of exit. The liability relating to the units accumulated under this plan has been included in trade and other payables on the consolidated statements of financial position as disclosed in note 9.

	2023	2022
	#	#
Outstanding, as at January 1	586,878	545,549
Granted	20,490	119,819
Forfeited	(122,214)	
Exercised	(3,906)	(78,490)
<b>Outstanding, as at December 31</b>	<b>481,248</b>	<b>586,878</b>
<b>Vested, as at December 31</b>	<b>226,422</b>	<b>114,950</b>

The Corporation has a DPSU plan for Directors of the Corporation who are designated as participants by the Human Resources, Compensation & Governance Committee. The outstanding DPSUs vest, as defined by IFRS, in equal annual tranches over a three-year total vesting period and fully vest on December 30<sup>th</sup>, 2025.

The following reflects activity under the DPSU plan:

	2023	2022
	#	#
Outstanding, as at January 1	160,000	-
Granted	-	160,000
Exercised	-	-
<b>Outstanding, as at December 31</b>	<b>160,000</b>	<b>160,000</b>

As at December 31, 2023 53,333 DPSU awards are fully vested (2022 – nil).

On December 31, 2025, a payout multiplier is applied to each award, dependent on the preceding 20–day volume weighted average share price of the Corporation’s common shares on the vesting date:

20-day volume weighted average share price on December 31, 2025	Payout multiplier applied	Potential cash settlement of outstanding DPSU’s
Less than or equal to \$2.00 per share	0x	-
\$2.01 to \$3.00 per share	2x	\$643 to \$960
\$3.01 to \$4.00 per share	3x	\$1,445 to \$1,920
\$4.01 or greater	4x	\$2,566 or greater

The liability relating to the units accumulated under this plan, is valued using a Monte Carlo Share Price simulation, accreted over the awards vesting period, and is included in trade and other payables on the consolidated statements of financial position as disclosed in note 9.

The Corporation has an RSP for employees of the Corporation who are designated as participants by the Human Resources, Compensation & Governance Committee. The aggregate number of common shares issuable under the plan can be no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis when combined with shares issued under the share option plan. In addition, no more than 5% of outstanding shares may be reserved for any one person and no more than 10% of outstanding shares may be reserved for insiders. Per the terms of the plan as amended in 2021, the shares vest in equal annual tranches over no less than a three-year total vesting period, however the term of the vesting cannot be longer than ten years.

Upon vesting, the restricted shares are redeemed for cash based on the market price of any vested restricted shares at the time of vesting. The liability relating to the shares accumulated under this plan has been included in trade and other payables on the consolidated statements of financial position as disclosed in note 9.

	2023	2022
	#	#
Outstanding, as at January 1	370,000	542,500
Granted	-	-
Forfeited	-	-
Redeemed or exercised	(185,000)	(172,500)
<b>Outstanding, as at December 31</b>	<b>185,000</b>	<b>370,000</b>
<b>Vested, as at December 31</b>	<b>-</b>	<b>-</b>

	2023	2022
<b>Years</b>	<b>#</b>	<b>#</b>
<b>0 to 1</b>	<b>185,000</b>	185,000
<b>1 to 2</b>	-	185,000
<b>2 to 3</b>	-	-
	<b>185,000</b>	370,000

Restricted shares outstanding under the restricted share plan as at December 31, 2023 vest evenly over one year from the grant date. During the year ended December 31, 2023, the Corporation issued 185,000 shares from treasury (2022 - 172,500) to generate cash proceeds for the purpose of redeeming restricted shares redeemed or exercised.

**c) SHARE-BASED COMPENSATION EXPENSE**

	2023	2022
	<b>\$</b>	<b>\$</b>
Equity settled share-based compensation	<b>33</b>	57
Cash settled share-based compensation – DSU	<b>492</b>	223
Cash settled share-based compensation - DPSU	<b>431</b>	-
Cash settled share-based compensation - RSP	<b>351</b>	286
	<b>1,307</b>	566

Share-based compensation expense has been included in general and administration expense in the consolidated statements of earnings and comprehensive earnings.

**16. REVENUE**

	2023	2022
	<b>\$</b>	<b>\$</b>
Sale of products, parts and consumables	<b>62,151</b>	45,801
Rental revenue	<b>4,737</b>	3,956
Rendering of services	<b>2,801</b>	2,671
	<b>69,689</b>	52,428



## 17. EXPENSES BY NATURE

	2023	2022
	\$	\$
Production costs to produce inventories and changes in inventories	31,555	24,153
Employee compensation and benefit expense	19,795	15,210
Facilities and other overheads	6,397	4,974
Depreciation and amortization	3,808	2,997
Write-down of excess and obsolete inventory	279	486
Short-term lease expense	124	120
<b>Total expenses</b>	<b>61,958</b>	<b>47,940</b>
<b>Allocated to:</b>		
Cost of sales	46,859	36,665
General and administration	8,605	6,532
Product development and support	4,074	2,960
Sales and marketing	2,420	1,783
<b>Total expenses</b>	<b>61,958</b>	<b>47,940</b>

## 18. FINANCE CHARGES, NET

	2023	2022
	\$	\$
Interest on borrowings	236	432
Finance charges on lease liabilities	443	305
Amortization of deferred charges	64	51
Finance income	(403)	(17)
	<b>340</b>	<b>771</b>

## 19. OTHER LOSSES (GAINS), NET

	2023	2022
	\$	\$
Foreign exchange loss	284	49
Costs associated with strategic alternatives assessment	44	53
Gain on disposal of PPE	(24)	(4,138)
Government assistance	-	(36)
	<b>304</b>	<b>(4,072)</b>

During the year ended December 31, 2022, the Corporation recorded a \$3,888 gain on disposal of PPE related to the sale and leaseback arrangement for its Cedar Park, Texas facility.

## 20. INCOME TAX EXPENSE (RECOVERY)

### a) RECONCILIATION OF INCOME TAX EXPENSE (RECOVERY)

Income tax expense varies from the amounts that would be computed by applying the domestic statutory rate of 23% (2022 – 23%) to loss before income taxes for the following reasons:

	2023	2022
	\$	\$
Earnings before income taxes	7,087	7,789
Computed income tax expense	1,630	1,792
Tax effects of:		
Jurisdictional tax rate differences	(190)	(482)
Non-(taxable) deductible items	(166)	24
Benefit of previously unrecognized deferred tax assets	(877)	(2,672)
Temporary differences for which no deferred tax asset was recognized	197	309
Other items	(36)	55
<b>Income tax expense (recovery)</b>	<b>558</b>	<b>(974)</b>

### b) INCOME TAX EXPENSE (RECOVERY) ON EARNINGS

	2023	2022
	\$	\$
Current tax expense	745	111
Deferred tax expense:		
Origination and reversal of temporary differences	493	1,278
Benefit of previously unrecognized deferred tax assets	(877)	(2,672)
Temporary differences for which no deferred tax asset was recognized	197	309
Total deferred tax recovery	(187)	(1,085)
<b>Income tax expense (recovery)</b>	<b>558</b>	<b>(974)</b>

## 21. EARNINGS PER SHARE

	2023			2022		
	Net earnings	Weighted average shares	Per share amount	Net loss	Weighted average shares	Per share amount
	\$	#	\$	\$	#	\$
<b>Basic earnings per share</b>						
Earnings available to common shareholders	6,529	28,094,823	0.23	8,763	28,324,835	0.31
Dilutive effect of options and restricted shares		475,965			390,709	
<b>Diluted earnings per share</b>						
Earnings available to common shareholders	6,529	28,570,788	0.23	8,763	28,715,544	0.31

## 22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### a) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables and current provisions approximates their carrying value due to their short-term nature. The fair value of non-current other receivables approximates the carrying amount as the receivables have been recorded using the effective interest rate method using a market rate of interest. The fair value of borrowings approximates the carrying amount as the instruments carry interest rates that reflect the current market rates available to the Corporation.

### b) FINANCIAL RISK MANAGEMENT

The Corporation's activities are exposed to a variety of financial risks of varying degrees of significance, which could affect the Corporation's ability to achieve strategic objectives. Overall, risk management programs focus on the unpredictability of financial and economic markets and seek to minimize potential adverse effects on financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance. The principal financial risks to which the Corporation is exposed are described below:

#### (i) MARKET RISK

Market risk is the risk changes in market prices, such as foreign exchange rates and interest rates, will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. The Corporation may use derivatives to manage certain market risks.

- **Foreign currency risk**

The Corporation is exposed to foreign currency risk to the extent that there is a mismatch between the currencies in which revenues, purchases and monetary assets and liabilities are denominated and the respective functional currency of the Corporation's subsidiaries. Foreign currency risk is primarily with the US dollar. The Corporation may use forward exchange contracts to manage foreign currency risk.

The Corporation recognized a foreign currency exchange loss of \$284 in other (losses) gains, net (2022 - \$49). Based on the Corporation's US dollar denominated monetary assets and liabilities, at December 31, 2023, the Corporation estimates that a ten-cent change in the value of the US dollar would increase or decrease net earnings by \$71 (2022 - \$481).

- **Interest rate risk**

Interest rate risk is the risk the value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. In 2023 and 2022, the Corporation was primarily exposed to interest rate risk on cash and cash equivalents and borrowings. The Corporation estimates that a change of 100 basis points in interest rates as at December 31, 2023 would have increased or decreased net earnings for the year ended December 31, 2023 by \$157 (2022 - \$46), arising from interest expense incurred on cash and cash equivalents and borrowings.

#### (ii) CREDIT RISK

The credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are held primarily with Canadian chartered banks and Schedule I US financial institutions.

Trade receivables include balances due from customers primarily operating in the oil and gas industry. The Corporation manages credit risk by assessing the creditworthiness of its customers before providing products or services and monitoring customer credit and balances on an ongoing basis. In some instances, the Corporation will take additional measures to reduce credit risk including obtaining letters of credit or prepayments from customers.

As at December 31, 2023, the Corporation had one customer that accounted for \$930 (11%) of total trade receivables, all of which was secured through a trade letter of credit (2022 - one customer accounted for \$4,009 (31%)).

As at December 31, trade receivables were classified as follows:

	2023	2022
	\$	\$
Fully performing	7,884	10,454
Past due but not impaired	2,484	2,495
Indications of impairment	305	140
<b>Trade receivables</b>	<b>10,673</b>	<b>13,089</b>

The Corporation applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss provision is based on the timing of the groups along with individual assessments on balances outstanding.

The credit quality of fully performing receivables is determined based on credit evaluations and management's past experience with the customers. Past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. Trade receivables with indications of possible impairment primarily relate to receivables that may not be collectible. Management has applied judgment after taking into account the expected credit loss model to determine impairment provisions of \$305 (2022 - \$140) are sufficient to cover credit risk.

The aging analysis of trade receivables is as follows:

As at December 31	2023	2022
	\$	\$
0 to 30 days	5,614	7,009
31 to 60 days	2,198	2,781
61 to 120 days	1,758	1,803
Over 121 days	1,103	1,496
Trade receivables	10,673	13,089
Loss allowance	(305)	(140)
Trade receivables, net of loss allowance	10,368	12,949
Other receivables, current	42	27
Other receivables, non-current	-	39
<b>Total trade and other receivables</b>	<b>10,410</b>	<b>13,015</b>

The movement in the Corporation's loss allowance for trade receivables is as follows:

For the years ended	2023	2022
	\$	\$
Provisions for impairment, as at January 1	(140)	(265)
Allowance, net recognized	(173)	(85)
Amounts written off	1	140
Change in estimate	-	83
Foreign exchange	7	(13)
<b>Provisions for impairment, as at December 31</b>	<b>(305)</b>	<b>(140)</b>

### (iii) LIQUIDITY RISK

Liquidity risk is the risk the Corporation will not be able to meet its obligations with financial liabilities as they come due. The Corporation manages working capital and operational cash flows to maintain sufficient cash and cash equivalents to meet financial obligations. Based on the remaining contractual maturities, the undiscounted cash flows for the Corporation's financial liabilities, including interest payments in effect at December 31, 2023, are as follows:

	Due in less than one year	Due between one and two years	Due between two and three years	Due beyond three years	Total
	\$	\$	\$	\$	\$
Trade and other payables	13,350	-	-	-	13,350
Lease liabilities	1,439	1,353	2,268	-	5,060
Undiscounted cash flows for financial liabilities	14,789	1,353	2,268	-	18,410
Purchase commitments for inventory and operating services	15,960	471	471	-	16,902
<b>As at December 31, 2023</b>	<b>30,749</b>	<b>1,824</b>	<b>2,739</b>	<b>-</b>	<b>35,312</b>
	\$	\$	\$	\$	\$
Trade and other payables	10,862	-	-	-	10,862
Borrowings	2,302	2,302	-	-	4,604
Lease liabilities	1,558	1,472	1,385	2,323	6,738
Restructuring provisions	30	-	-	-	30
Undiscounted cash flows for financial liabilities	14,752	3,774	1,385	2,323	22,234
Purchase commitments for inventory and operating services	12,429	-	-	-	12,429
<b>As at December 31, 2022</b>	<b>27,181</b>	<b>3,774</b>	<b>1,385</b>	<b>2,323</b>	<b>34,663</b>

### c) CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are to safeguard its assets and continue as a going concern while, at the same time, maximizing the growth of the business and return to shareholders. The Corporation views its capital as the combination of borrowings as well as shareholders' equity as follows:

	2023	2022
	\$	\$
Borrowings	-	4,517
Shareholders' equity	53,983	51,714
<b>Total capital</b>	<b>53,983</b>	<b>56,231</b>

The Corporation sets the amount of capital in proportion to risk and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue or repay borrowings, issue or repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances.

## 23. RELATED PARTY TRANSACTIONS

### KEY MANAGEMENT PERSONNEL

Key management personnel includes the Directors and senior corporate officers of the Corporation who are primarily responsible for planning, directing and controlling the Corporation's business activities.

Compensation awarded to senior corporate officers for employee services for the years ended December 31 is as follows:

	2023	2022
	\$	\$
Salaries and other short-term employee benefits	1,474	1,087
Share-based compensation	286	218
	1,760	1,305

Compensation awarded to Directors for services for the years ended December 31 is as follows:

	2023	2022
	\$	\$
Retainers, fees and other short-term employee benefits	353	323
Share-based compensation	923	220
	1,276	543

## 24. SEGMENT INFORMATION

### GEOGRAPHIC INFORMATION

The Corporation's operations, as described in note 1, are viewed as a single operating segment by the Corporation's Executives for the purpose of resource allocation and assessing performance.

	2023		2022	
	Revenue	PP&E, Intangibles & Goodwill	Revenue	PP&E, Intangibles & Goodwill
	\$	\$	\$	\$
United States & Latin America	38,741	14,808	20,779	15,655
Middle East & Africa	19,479	3,325	22,817	2,207
Europe	4,321	-	3,403	-
Asia Pacific	4,746	-	4,847	-
Canada	2,402	117	582	351
	69,689	18,250	52,428	18,213

Revenue is attributed to a geographical region based on the location of the customer invoiced, which may not necessarily reflect the product's final destination. In February of 2022, the Corporation suspended all order intake and revenues destined for Russia.

During the year ended December 31, 2023, no customer accounted for greater than 10% of the Corporation's total revenue (year ended December 31, 2022 – one customer accounted for 16% of the Corporation's total revenue).

## 25. CHANGES IN WORKING CAPITAL BALANCES

	2023	2022
Cash received from (used in) operating activities due to changes in non-cash working capital balances:	\$	\$
Trade and other receivables	2,308	(6,281)
Inventories	(9,013)	(5,238)
Other current assets	99	(213)
Other non-current assets	39	-
Trade and other payables	1,962	4,941
Customer deposits	(174)	2,526
Provisions, excluding restructuring and facility remediation	299	(63)
	<b>(4,480)</b>	<b>(4,328)</b>