Audited Consolidated Financial Statements of

MATRRIX Energy Technologies Inc.

As at December 31, 2017 and 2016 and

For the Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

April 4, 2018

Independent Auditor's Report

To the Shareholders of
MATRRIX Energy Technologies Inc.

We have audited the accompanying consolidated financial statements of MATRRIX Energy Technologies Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of comprehensive profit and loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MATRRIX Energy Technologies Inc. and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of MATRRIX Energy Technologies Inc. (the "Corporation") and all other financial and operating information contained in the Report are the responsibility of management. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes to the consolidated financial statements and in accordance with International Financial Reporting Standards.

Management is also responsible for establishing and maintaining adequate internal controls over the Corporation's financial reporting. The Corporation's internal control system has been designed and maintained to provide reasonable assurance that assets are properly safeguarded and that the financial records are sufficiently and well maintained to provide relevant, timely and reliable information to management.

External auditors, appointed by the shareholders, have independently examined the consolidated financial statements. They have performed such tests they deem necessary to enable them to express an opinion on these consolidated financial statements.

The Audit Committee of the Board of Directors has discussed the consolidated financial statements, including the notes thereto, with management and the external auditors. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

Signed "Lyle Whitmarsh"

President and Chief Executive Officer
April 4, 2018

Signed "Jeff Schab"

Chief Financial Officer
April 4, 2018

MATRRIX Energy Technologies Inc.
Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)	Note	December 31, 2017	December 31, 2016
		$	$
ASSETS			
Current Assets:			
Cash and cash equivalents	4	15,135	3,608
Trade and other receivables	12	5,752	913
Inventory	7	281	353
Prepaid expenses and deposits		260	154
		21,428	5,028
Non-current Assets			
Property and equipment	8	20,636	9,633
Goodwill	9	461	-
Total Assets		42,525	14,661
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	14	3,511	892
Non-Current Liabilities			
Convertible Debentures	19	2,297	-
Total liabilities		5,808	892
SHAREHOLDERS' EQUITY			
Share capital	11	58,448	29,789
Employee benefit reserve	11	3,150	2,258
Equity Component of Convertible Debentures	19	265	-
Foreign currency translation reserve		884	877
Deficit		(26,030)	(19,155)
Total equity		36,717	13,769
Total liabilities and equity		42,525	14,661

Commitments (Note 17)
Subsequent Event (Note 20)

Signed "Thane Russell"
Director

Signed "Rodger Hawkins"
Director

See accompanying notes to these consolidated financial statements

MATRRIX Energy Technologies Inc.
Consolidated Statements of Comprehensive Profit and Loss

(Stated in thousands of Canadian dollars except per share amounts)	Note	For the year ended, December 31, 2017	2016
		$	$
Revenue		9,528	2,334
Cost of sales:			
Direct operating expenses		6,706	1,731
Depreciation	8	2,613	2,579
		9,319	4,310
Income (loss) from operations		209	(1,976)
Expenses			
Administrative		1,360	963
Salaries and benefits		1,651	1,260
Share based payments	11	223	198
Transaction costs	5	454	-
Depreciation	8	25	73
Foreign exchange (gain) loss		(44)	8
Impairment of assets	7,8	3,833	-
		7,502	2,502
Net loss before interest and other income		(7,293)	(4,478)
Gain from disposition of property and equipment		140	1
Gain from equipment lost in hole		310	-
Interest and other income		21	54
Interest on convertible debenture		(53)	-
Net loss		(6,875)	(4,423)
Other comprehensive income			
Items that may be subsequently reclassified to profit or (loss):			
Foreign currency translation adjustment		7	2
Total comprehensive loss		(6,868)	(4,421)
Basic loss per common share	6	($0.16)	($0.14)
Diluted loss per common share	6	($0.16)	($0.14)

See accompanying notes to these consolidated financial statements

MATRRIX Energy Technologies Inc.
Consolidated Statements of Cash Flows

(Stated in thousands of Canadian dollars)	Note	For the year ended, December 31, 2017	2016
Cash flows from the following activities:			
Operating activities			
Net loss		(6,875)	(4,423)
Adjustments for:			
Share based payments		223	198
Depreciation	8	2,638	2,652
Gain on disposition of property and equipment		(140)	(1)
Gain on equipment lost in hole		(310)	-
Accretion debenture		3	-
Transaction costs		454	-
Unrealized foreign exchange gain (loss)		(4)	-
Interest on Debenture	15	53	-
Impairment of assets	8	3,833	-
Funds flow from operations		(125)	(1,574)
Changes in non-cash working capital items:			
Trade and other receivables		(3,423)	(195)
Inventory		9	63
Prepaid expenses and deposits		(57)	(29)
Accounts payable and accrued liabilities		2,259	422
Cash flows from operating activities		(1,337)	(1,313)
Financing activities			
Proceeds from issuance of common shares		21,158	-
Share issue costs		(1,118)	-
Proceeds from convertible debentures (net)	19	2,559	-
Interest on Debenture		(53)	-
Proceeds from short-term debt	18	2,500	-
Repayment of short-term debt		(2,500)	-
Repayment of Stampede debt	18	(5,418)	-
Stock options exercised		30	-
Cash flows from financing activities		17,158	-
Investing activities			
Purchase of property and equipment	8	(7,257)	(144)
Proceeds from the disposition of property and equipment		421	4
Cash from Stampede acquisition	5	2,599	-
Transaction costs	5	(454)	-
Proceeds from equipment lost in hole		386	-
Cash flows from investing activities		(4,305)	(140)
Change in cash and cash equivalents		11,516	(1,453)
Effect of foreign exchange rate changes on cash		11	3
Cash and cash equivalents, beginning of year		3,608	5,058
Cash and cash equivalents, end of year		15,135	3,608
Supplementary cash flow disclosure information:			
Interest paid during the year		53	-
Interest received during the year		21	39

See accompanying notes to these consolidated financial statements

MATRRIX Energy Technologies Inc.
Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian dollars)

	Share Capital (Note 11)		Employee	Equity Component	Foreign Currency		
	Shares	Amount $	Benefit Reserve $	of Convertible Debenture $	Translation Reserve $	Deficit $	Total Equity $
Balance as at January 1, 2016	32,185	29,789	2,060	-	875	(14,732)	17,992
Share based payments expense	-	-	198	-	-	-	198
Comprehensive loss for the period	-	-	-	-	2	(4,423)	(4,421)
Balance as at December 31, 2016	32,185	29,789	2,258	-	877	(19,155)	13,769
Balance as at January 1, 2017	32,185	29,789	2,258	-	877	(19,155)	13,769
Share based payments expense	-	-	223	-	-	-	223
Issuance of Agent options	-	(688)	688	-	-	-	-
Stock Options Exercised	120	30	-	-	-	-	30
Stock Option Value of Exercised Options	-	19	(19)	-	-	-	-
Comprehensive loss for the period	-	-	-	-	7	(6,875)	(6,868)
Common Shares issued - Private Placement	68,193	21,158	-	-	-	-	21,158
Common Shares issued - Stampede Acquisition	22,581	9,258	-			-	9,258
Share Issuance Costs	-	(1,118)	-	-	-	-	(1,118)
Equity Component of Convertible Debenture	-	-	-	265	-	-	265
Balance as at December 31, 2017	123,079	58,448	3,150	265	884	(26,030)	36,717

See accompanying notes to these consolidated financial statements

1. REPORTING ENTITY

MATRRIX Energy Technologies Inc. (the "Corporation") was incorporated pursuant to the provisions of the Canada Business Corporations Act on January 7, 2011 and maintains its head office at Bow Valley Square IV, 250 – 6th Ave SW 22nd Floor, Calgary, AB, T2P 3H7. The Corporation is a publicly-traded company listed on the TSX Venture Exchange under the symbol "MXX". The Corporation offers oilfield services to the oil and natural gas industry in the Western Canadian Sedimentary Basin ("WCSB").

The consolidated financial statements of the Corporation are comprised of the Corporation and its subsidiaries Stampede Drilling Inc. and MATRRIX (US) Energy Technologies Inc.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on the historical cost basis, except as disclosed in the significant accounting policies in Note 3, and are presented in Canadian dollars, which is the Corporation's functional and reporting currency. The Corporation's US subsidiary uses US dollars as its functional currency.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on April 4, 2018 and are in compliance with IFRS.

(b) Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are continually evaluated and are based on historical experience and expectations of future events. While judgments and estimates used by the Corporation are believed to be reasonable under current circumstances, actual results could differ.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Property and equipment

The Corporation allocates amounts initially recognized as property and equipment to significant component parts. Significant component parts are depreciated based on estimates of useful lives and residual value. Useful lives and residual values can change as a result of actual usage experience. A change in the useful life or residual value may have an impact on the related depreciation expense. The Corporation reviews the useful lives and estimated residual values of property and equipment at the end of each reporting period.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before the deductions expire. The assessment is based upon existing tax laws and estimates of future taxable income. Further, there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Impairments

The Corporation performs impairment tests on property and equipment when impairment indicators exist. Application of judgment is required in determining whether an impairment test is warranted. The determination of recoverable amounts of any given asset is subject to significant estimates regarding such issues as timing and magnitude of cash flows and appropriate discount rates.

2. BASIS OF PREPARATION (continued)

Share based payments

Share based payments are subject to fair value estimates using the Black-Scholes model. This model uses significant assumptions such as volatility, interest rates and the expected life.

Determination of Cash Generating Units ("CGUs")

Significant judgement is involved in determining the smallest group of assets that generates independent cash flows. Management has determined the Corporation currently operates two CGU's which is the service of horizontal and directional drilling that includes the interchangeable performance motor drilling assets and land based contract drilling.

Accounts receivable

The Corporation is subject to credit risk on accounts receivable balances and assesses the recoverability of accounts receivable on an ongoing basis. Assessing accounts receivable for impairment involves significant judgement and uncertainty, including estimates of future events. Changes in circumstances underlying these estimates may result in the Corporation recognizing an additional allowance against accounts receivable.

Business Combinations & Goodwill

Refer to the accounting policy for business combinations in note 3(g) included in the Corporations significant accounting policies for a detailed discussion of this.

Convertible debentures

The Corporations debentures are a non-derivative financial instrument that creates a financial liability for the Corporation and grants an option to the holder of the instrument to convert it into common shares of the Corporation. The issuance of the convertible debentures required management to make estimates to determine the fair value of the liability and equity components. The liability component of the Debentures is initially recorded at the fair value of a similar liability that does not have a conversion option. Estimates include the interest rate for debt with similar terms with no conversion feature and includes assumptions about sector risk, entity size and entity credit quality. The equity component is recognized initially, net of deferred income taxes, as the difference between gross proceeds and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to initial recognition, the liability component of the Debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. The carrying amounts of the liability and equity components of the Debentures are reclassified to shareholders' capital on conversion to common shares.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents are comprised of deposits held in a bank and highly liquid investments having original terms to maturity of 90 days or less.

(b) Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets recognized at fair value through income or loss

Upon initial recognition transaction costs are recognized in income or loss as incurred. Financial assets at fair value through income or loss are measured at fair value, and changes therein are recognized in income or loss. The Corporation does not currently have any financial assets recognized at fair value through income or loss.

Loans and receivables

Trade and other receivables, interest receivable and cash and cash equivalents have been classified as loans and receivables. They are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, if significant, less any impairment losses.

Non-derivative financial liabilities

Accounts payable and accrued liabilities are classified as “other financial liabilities”. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(c) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(d) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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 income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) Share based payment transactions

The Corporation has an employee stock option plan that provides all option holders the right to purchase common shares for the options exercised. The Corporation follows the fair value method for accounting, using the Black-Scholes option pricing model, whereby compensation expense is recognized for the stock options on the date of grant and amortized over the option's vesting period. Share based payment arrangements in which the Corporation receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Corporation.

(f) Earnings per share

The Corporation presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the income or loss attributable to ordinary shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock method by adjusting the income or loss attributable to ordinary shareholders and the weighted average number of common shares outstanding based on the assumption that any proceeds obtained on exercise of stock options and warrants would be used to purchase common shares at the average market price during the period.

(g) Basis of consolidation

<u>Business combinations and goodwill</u>

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Corporation, liabilities incurred by the Corporation to the former owners of the acquiree and the equity interests issued by the Corporation in exchange for control of the acquiree. Acquisition related costs other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are recognized in profit or loss as incurred.

The Corporation measures goodwill as the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree, less the net recognized fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income or loss.

The acquired assets, assumed liabilities are recognized at fair value on the date the Company effectively obtains control. The measurement of the assets and liabilities acquired in each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property, plant and equipment and other assets and the liabilities assumed at the date of acquisition as well as the useful lives of the acquired intangible assets and property, plant and equipment is based on assumptions estimating the fair value of these items.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The financial statements for the Corporation's subsidies, are prepared using each functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates ruling at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income. Foreign currency transactions are translated in the functional currency using exchange rates prevailing at the transaction date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of net loss and comprehensive loss.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Corporation has control. The Corporation controls an entity when the Corporation 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 transferred to the Corporation. They are deconsolidated from the date on which control ceases. Intercompany transactions, balances and unrealized gains on transactions between companies are eliminated.

(h) Property and equipment

Recognition and measurement

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment.

Depreciation

Depreciation is calculated based on the cost of an asset less its residual value.

Depreciation is recognized in income or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

	Expected Life	Salvage Value	Basis of depreciation
Rigs and related equipment	3 - 15 years	10%	straight-line
Directional drilling and related equipment	1 - 10 years	nil - 10%	straight-line
Machinery and other equipment	5 - 7 years	10% - 20%	straight-line
Vehicles	5 years	20%	straight-line
Office furniture and equipment	3 years	nil	straight-line

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. As part of the Corporations impairment assessment, it was determined that current salvage values were not inline with managements original estimate. Based on this analysis, salvage values for certain directional drilling and related

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

equipment has been reduced to 0% - 10%.

(i) Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is based on the average cost of the item, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventory and work in progress, cost includes direct production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventory spares and consumables are charged to operating expenditures as items are sold or consumed at the average cost of the item.

Equipment purchased or constructed for resale includes the portion of direct manufacturing costs related to the construction of the equipment for resale and is recorded in income and loss when the equipment is completed, and the substantial risks and rewards of ownership have been transferred to the customer and collection is reasonably certain.

(j) Revenue recognition

The Corporation's services are generally sold based upon service orders or contracts that include fixed or determinable prices based upon daily, hourly or job rates. The Corporation also generates revenue from the purchase and sale of oil and gas service related equipment to third parties. Revenue is recognized when there is persuasive evidence that it is probable that the economic benefits associated with a service provided or equipment is sold with the transaction will flow to the entity, the amount of revenue can be measured reliably, collection is reasonably assured and the costs incurred and costs to complete the transaction can be measured reliably. The customer contract terms do not include a provision for significant post-delivery obligations.

(k) Impairments

Financial assets

A financial asset not carried at fair value through income or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. In assessing collective impairment, the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit", or "CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in income or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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) Interest income and interest costs

Interest income comprises interest from funds invested. Interest income is recognized as it accrues in income or loss, using the effective interest method.

Interest costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in income or loss using the effective interest method.

(m) Segment Reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation’s other components. All operating segments’ operating results are reviewed regularly by the key management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the key management include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Corporation’s head office), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

(In thousands of Canadian dollars except for per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Recent pronouncements and application of new and revised International Financial Reporting Standards ("IFRSs")

Certain new or amended standards or interpretations have been issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are not required to be adopted in the current period. The Corporation has not early adopted these standards or interpretations. The standards which the Corporation anticipates may have a material effect on the consolidated financial statements or note disclosures are described below.

New and revised IFRS that has been issued but is not yet effective:

IFRS 9, "Financial Instruments" replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 amends its classification and measurement of financial assets and introduces a new expected loss impairment model and new general hedge accounting requirements. This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation intends to adopt IFRS 9 for the annual period begging on January 1, 2018. The Corporation is currently reviewing IFRS 9 to determine the impact that the adoption of the standard will have on its consolidated financial statements.

IFRS 15, "Revenue from Contracts with Customers", is required to be applied for years beginning on or after January 1, 2018 and supersedes existing standards and interpretations including IAS 18 and IAS 11 Construction Contracts. The standard is required to be adopted either retrospectively or using a modified transition method, with early adoption permitted. The Corporation is currently reviewing IFRS 15 to determine the impact that the adoption of the standard will have on its consolidated financial statements.

IFRS 16, "Leases" replaces the previous guidance on leases and sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract. The new standard is effective for annual periods beginning on or after January 1, 2019, and which supersedes IAS 17, Leases; earlier application is allowed, but not before the application of IFRS 15, Revenue from Contracts with Customers. This new pronouncement introduces a single lessee accounting model by eliminating a lessee's classification of leases as either operating leases or finance leases. The Corporation is currently reviewing it lease agreements to determine the impact that the adoption of the standard will have on its consolidated financial statements.

4. CASH

Cash and cash equivalents balance is made up of the following:

	December 31,	
	2017	2016
Total Cash and cash equivalents	15,135	3,608

Cash and cash equivalents are comprised of cash in the bank, as well as short term investments that mature in 90 days or less.

(In thousands of Canadian dollars except for per share amounts)

5. BUSINESS COMBINATION

On November 21, 2017, the Corporation acquired all the issued and outstanding shares of Stampede Drilling Ltd. ("Stampede"), a private corporation which owned and operated three heavy telescopic double drilling rigs in the Weyburn/Estevan area of southeast Saskatchewan.

Total consideration for Stampede was $9,258, which comprised of 22,580 common shares at $0.41 per share being the Corporations share price on the closing date of the acquisition.

Balance at acquisition date	November 21, 2017
Total consideration	9,258

Assets and liabilities acquired	November 21, 2017
Cash	2,599
Account receivable	1,417
Inventory	139
Prepaids	48
Property and equipment	10,372
Goodwill	461
Accounts payable	(360)
Bank debt	(5,418)
Total assets and liabilities assumed	9,258

The Corporation incurred costs related to the acquisition of $454 relating to due diligence, external legal fees and other related transaction costs. These costs have been included as transaction costs in the consolidated statement of comprehensive profit and loss.

Had the acquisition occurred on January 1, 2017 the Corporation estimates that the increase in revenue and net income would be approximately $9,326 and $1,073 respectively for the year ended December 31, 2017

6. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated based on the net income divided by the weighted average number of common shares outstanding for the years ended December 31, 2017 and 2016 based on the following data. The weighted average diluted number of common shares outstanding excludes 6,599 stock options as at December 31, 2017 (2016: 2,950).

	Year ended December 31, 2017	
	2017	2016
Net Loss	(6,875)	(4,423)
Weighted average common shares	43,099	32,185
Effect of stock options	-	-
Diluted balance, end of year	43,099	32,185
Basic loss per common share	$ (0.16)	$ (0.14)
Diluted loss per common share	$ (0.16)	$ (0.14)

7. INVENTORY

Inventory is mainly comprised of drilling and other equipment repair parts as well as parts for directional kit builds. For the year ended December 31, 2017, consumed repair parts included in direct operating costs amounted to $345 (2016 - $119).

As part of the property and equipment impairment assessment (note 8), the Corporation determined that inventory of $202 for assets that were identified as being impaired and written down to net realizable value.

(In thousands of Canadian dollars except for per share amounts)

8. PROPERTY AND EQUIPMENT

	Rigs and related equipment	Directional drilling and related equipment	Machinery and other equipment	Office furniture and equipment	Total
Cost					
Balance at January 1, 2016	-	24,836	460	74	25,370
Additions	-	23	110	11	144
Disposals	-	(8)	-	-	(8)
Balance at December 31, 2016	-	24,851	570	85	25,506
Additions	6,311	287	656	3	7,257
Acquisitions	9,927	-	511	-	10,438
Disposals	-	(1,324)	(32)	-	(1,356)
Balance at December 31, 2017	16,238	23,814	1,705	88	41,845
Depreciation					
Balance at January 1, 2016	-	12,884	294	48	13,226
Depreciation for the year	-	2,565	72	15	2,652
Disposals	-	(5)	-	-	(5)
Balance at December 31, 2016	-	15,444	366	63	15,873
Depreciation for the period	293	2,277	43	25	2,638
Disposals	-	(910)	(22)	-	(932)
Impairment of assets	-	3,630	-	-	3,630
Balance at December 31, 2017	293	20,441	387	88	21,209
Carrying amounts					
Balance at December 31, 2016	-	9,407	204	22	9,633
Balance at December 31, 2017	15,945	3,373	1,318	-	20,636

The Corporation reviews the carrying value of its assets at each reporting period for indicators of impairment. During the year ended December 31, 2017 the Corporation determined that continued low utilization rates and the corresponding negative cashflows related to directional drilling assets was an indicator of impairment. The Corporation currently has two CGU's which is the service of horizontal and directional drilling that includes interchangeable performance motor drilling assets and contract drilling rigs.

For the year ended December 31, 2017, the Corporation completed its assessment and the recoverable value of the property and equipment of both of the Corporations CGU's. The Corporation identified the horizontal and directional CGU carrying amount that exceeded the recoverable amount. As a result, an impairment of $3,630 was recorded as a reduction in directional drilling property and equipment as well as a $202 reduction in inventory related to the corresponding directional drilling equipment identified for the impairment for the year ended December 31, 2017 (2016 - $nil).

The recoverable amount was based on a value in use calculation by estimating the future cash flows that would be generated from the continuing operations and utilizing the following key assumptions:

- At December 31, 2017 a pre-tax discount rate of approximately 17% (2016 - 17%) which considered the industry average cost of capital, past experience, asset specific risk and anticipated debt to equity levels.
- Five year forecasted cash flows, taking into consideration industry conditions, actual 2017 operating results and past experience. Cash flow projections for 2018 to 2022 have assumed a gradual recovery in activity levels for oil field related services in the WCSB.
- A terminal value was used assuming no annual growth rate for cash flows through the remainder of the segment's life.
- 10% decrease in the forecasted cash flows would decrease the recoverable amount of the property and equipment by $842.
- 1.0% increase change in the pre-tax discount rate would decrease the recoverable amount of the property and equipment by $220.

(In thousands of Canadian dollars except for per share amounts)

9. GOODWILL

	December 31, 2017	2016
Balance - beginning of year	-	-
Additions through business aquistion	461	-
Balance - end of year	461	-

Goodwill of $461 related to the business acquisition of Stampede Drilling Inc. on November 21, 2017. Goodwill by definition has no useful life and therefore is not amortized but is tested for impairment at the end of each year. The Corporation assess impairment at the CGU level. As at December 31, 2017 the total amount of goodwill has been allocated to the contract drilling CGU.

10. CAPITAL MANAGEMENT

The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation defines capital as share capital, convertible debentures and working capital which was $78,927 at December 31, 2017 (2016: $33,926).

11. SHARE CAPITAL

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series, none of which are issued or outstanding as of December 31, 2017.

Authorized and Issued Shares

	Number	Amount
Balance as at January 1, 2016	32,185	29,789
Issued shares pursuant to the exercise of stock options	-	-
Stock option value of exercised options	-	-
Issued shares pursuant to private placement	-	-
Balance as at December 31, 2016	32,185	29,789
Issued shares pursuant to private placement	68,193	21,158
Issued shares pursuant to Stampede Drilling Inc Acqusition	22,581	9,258
Transaction costs	-	(1,806)
Issued shares pursuant to the exercise of stock options	120	30
Stock option value of exercised options	-	19
Balance as at December, 2017	123,079	58,448

On August 23, 2017, the Corporation completed a private placement of 3,673 common shares at a deemed price of $0.315 per common share with certain Executives and Board members of the Corporation for gross proceeds of $1,157.

On November 21, 2017, the Corporation acquired all of the outstanding common shares of Stampede Drilling Inc. and issued 22,581 common shares at a deemed price of $0.41 per share for total consideration of $9,258.

On November 21, 2017, concurrent with the acquisition of Stampede, the Corporation closed a private placement resulting in the issuance of 64,520 common shares at a price of $0.31 per share for gross proceeds of $20,001. Certain Executives and Board members of the Corporation participated in the Private Placement and purchased an aggregate of 2,393 of the Corporation's shares or approximately 3.71% of the Private Placement.

(In thousands of Canadian dollars except for per share amounts)

11. SHARE CAPITAL (continued)

Employee benefit reserve

Employee benefit reserve is comprised solely of stock based compensation expense and stock option exercises.

Foreign Currency Translation Reserve

Foreign Currency Translation Reserve is the cumulative translation account that comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Stock Options

The Corporation has adopted an incentive stock option plan, which provides that the Board of Directors of the Corporation from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares.

Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors. The options granted up to June 30, 2016 for directors, officers, employees and consultants have a vesting period of one third a year from the date of grant, another one third two years from the date of grant and the remaining third vesting three years from the date of grant. Once vested, the options can be exercised and have an expiration date a year from the vesting date. The options granted subsequent to December 3, 2016 carry a five year term and are subject to vesting one quarter on each of the first, second, third and fourth anniversaries of the date of the grant or carry a five year term and are subject to vesting as to one quarter on the day of the grant and one quarter on each of the first, second and third anniversaries of the date of the grant.

A summary of the Corporations outstanding stock options as at December 31, 2017 and December 31, 2016 and the changes for the years ended, is as follows:

Stock Options	Outstanding	Weighted Average Exercise Price	
Outstanding at December 31, 2015	3,206	$	0.85
Options granted to employees and directors	160	$	0.23
Options exercised	-	$	-
Options expired	(416)	$	0.99
Options forfeited	-	$	-
Outstanding at December 31, 2016	2,950	$	0.40
Options granted to employees and directors	1,546	$	0.33
Options granted to agents	3,111	$	0.31
Options exercised	(120)	$	0.25
Options expired	(739)	$	0.58
Options forfeited	(149)	$	0.26
Outstanding at December 31, 2017	6,599	$	0.29

	Total Outstanding			
Range of Exercise Prices	Number	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (Years)
Employees and directors				
$0.12 to $0.18	970	$	0.13	2.93
$0.22 to $0.27	1,057	$	0.26	2.87
$0.31 to $0.70	4,572	$	0.34	1.66
	6,599	$	0.29	2.04

(In thousands of Canadian dollars except for per share amounts)

11. SHARE CAPITAL (continued)

As part of compensation to the Corporations agent with regards to the $20,001 private placement of common shares that closed on November 21, 2017, the Corporation issued 3,111 agent options. The corresponding share based expense of $821 was classified as a transaction cost and was recorded as a reduction in share capital. Agent options may be exercised for one common share at a price of $0.31 per share until November 21, 2018.

	Exercisable		
Range of Exercise Prices	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Employees and directors			
$0.12 to $0.18	638	$ 0.12	2.89
$0.22 to $0.27	242	$ 0.25	0.49
$0.31 to $0.70	3,693	$ 0.33	1.06
	4,573	$ 0.30	1.28

Share Based Payments

For the year ended December 31, 2017, the Corporation recorded share based payment expense of $223 (2016 - $198). The following assumptions were used for the Black-Scholes valuation of stock options:

	2017	2016
Risk-free interest rate range	1.07% - 1.65%	0.63 - 0.65%
Expected Term	5.0 years	5.0 years
Annualized volatility	134.44% - 162.74%	139.79% - 149.29%
Dividend rate	0.00%	0.00%
Forfeiture rate	10.00%	10.00%
Average fair value per option granted	$0.32	$0.13

The expected volatility is determined based on weighted average historic prices for the Corporation’s common shares.

12. FINANCIAL INSTRUMENTS

The Corporation’s risk exposures and the impact on the Corporation’s financial instruments are summarized below:

Credit risk

Credit risk arises from the potential that one or more counterparties fail to meet their obligations. The Corporation is normally exposed to credit risk through its accounts receivable balances. The Corporation manages credit risk by assessing the credit worthiness of its customers before providing services and on an ongoing basis as well as monitoring the amount and age of balances outstanding. The Corporation views credit risks on its accounts receivable as normal for the industry.

The Corporation does not have any accounts receivable at December 31, 2017 that are believed uncollectible. Substantially all of the Corporation’s cash and cash equivalents are held by high credit quality financial institutions. The Corporation did not incur any bad debt expense in 2017 (2016 - $nil).

During the year ended December 31, 2017, MATRRIX had two customers that comprised of 12% and 18% of total revenue, compared to three customers that comprised 59%, 21% and 11% of total revenue in 2016. For the accounts receivable balances outstanding at December 31, 2017, MATTRIX had two customers that comprised of 14% and 9% of the total balance as compared to two customers that comprised 49% and 36% of the total balance in 2016.

(In thousands of Canadian dollars except for per share amounts)

12. FINANCIAL INSTRUMENTS (continued)

The Corporation's trade and other receivables aging is as follows:

	December 31, 2017	December 31, 2016
Within 30 days	3,104	615
31 to 60 days	1,631	226
61 to 90 days	1,017	67
Over 90 days	-	5
Allowance for doubtful accounts	-	-
Accounts receivable	5,752	913

Liquidity risk

The Corporation's objective in managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due by maintaining sufficient cash to settle current liabilities and meet its anticipated 2017 working capital requirements. As at December 31, 2017 the Corporation had current assets balance of $21,398 to settle current liabilities of $5,808.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest Rate Risk

The Corporation has no debt and has invested its excess cash in short-term deposits with a fixed rate of interest at its banking institution and therefore is exposed to interest rate risk; however, this is not considered to be significant due to the short time to maturity.

b) Foreign Currency Risk

The Corporation is exposed to foreign currency fluctuations on its financial instruments in relation to its U.S. dollar denominated cash, accounts receivable and accounts payable. The Corporation monitors its foreign currency exposure and attempts to minimize the effect of fluctuations in the U.S. dollar by maintaining appropriate levels of cash and accounts receivable to offset corresponding U.S. dollar denominated accounts payable.

c) Fair Value

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments depending on the observable nature of inputs employed in the measurement:

Level 1: fair value measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. Level 2 valuations are based on inputs including quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative instrument.

Level 3: fair value measurements are based on unobservable information or where the observable data does not support a significant portion of the instrument's fair value.

The carrying amount of cash and cash equivalents, trade and other receivables and accounts payable and accrued liabilities approximates their fair value due to their short term nature. At December 31, 2017, the Corporation valued its cash and cash equivalents using Level 1 inputs. The Corporation does not have any Level 2 instruments. The fair value of the convertible debentures liability was recorded based on an estimated fair value interest rate and is considered a level 3 fair value instrument.

(In thousands of Canadian dollars except for per share amounts)

12. FINANCIAL INSTRUMENTS (continued)

As the Debentures have not traded, the fair value of the Debentures is $2,612 as at December 31, 2017, based on the purchase price of $1 per Debenture.

13. COMPENSATION

The key management personnel of the Corporation are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The key management compensation is as follows:

	For the year ended December 31,	
	2017	2016
Short-term employee benefits	941	641
Share based payments	129	159
Total key executive management personnel compensation	1,070	800

14. TRADE AND OTHER PAYABLES

	For the year ended December,	
	2017	2016
Accounts payables	2,941	649
Accrued payables	570	243
	3,511	892

Depending on the credit terms of the trade payable, interest will be charged after a predetermined number of days from the date of the invoice. The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

15. INCOME TAXES

The income tax expense for the year can be reconciled to the accounting profit as follows:

	For the year ended December 31,	
	2017	2016
Net income (loss) before income tax	(6,875)	(4,423)
Canadian statutory rate	27%	27%
Expected income tax	(1,856)	(1,194)
Effect on taxes resulting from:		
Non taxable / deductible items	153	70
Statutory and other rate differences	608	(1)
Transaction Costs	(480)	
Unrecognized net deferred tax asset and other	1,575	1,125
	-	-

The components of the net deferred income tax liability are as follows:

	As at December 31, 2016	Recognized in earnings or loss	Recognized through Balance Sheet	As at December 31, 2017
Deferred tax assets				
Non-capital losses	238	(9)	-	229
Deferred tax liabilities				
Other	30	(115)	-	(85)
Property and equipment	(268)	124	-	(144)
Deferred tax liability	-	-	-	-

(In thousands of Canadian dollars except for per share amounts)

15. INCOME TAXES (continued)

The components of unrecognized deferred tax assets are as follows:

	For the year ended December 31, 2017	2016
Deferred tax assets not Recognized		
Non-capital losses	7,482	4,778
Other	521	51
Unrecognized deferred tax asset	8,003	4,829

The Canadian Non-Capital Losses of approximately $25,200 (2016 - $12,900) expire between 2030 and 2037. The US Non-Capital Losses of approximately USD$3,200 (2016 - USD$3,200) expire between 2031 and 2036.

16. OPERATING SEGMENTS

Management evaluates the Corporation's performance on an operationally segmented basis. The composition of the operational segments reported in the consolidated financial statements are consistent with the internal management reporting provided to key management.

The Corporation has identified the following two reportable operational segments: Directional drilling and land based contract drilling.

For the year ended December 31, 2017	Directional Drilling	Contract Drilling	Total
Revenue	8,075	1,453	9,528
Net loss	(6,503)	(372)	(6,875)
Impairment of assets	3,833	-	3,833
Property and equipment, net	4,691	15,945	20,636
Goodwill	-	461	461

For the year ended December 31, 2016	Directional Drilling	Contract Drilling	Total
Revenue	2,334	-	2,334
Net loss	(4,423)	-	(4,423)
Impairment of assets	-	-	-
Property and equipment, net	9,633	-	9,633
Goodwill	-	-	-

There are no material differences in the basis of accounting or the measurement of income, assets and liabilities between the Corporation and reported segment information, except that certain inter-company liabilities and equity are offset with the assets of the land based contract drilling segment.

17. COMMITMENTS

The following table reflects the Corporations commitments as of December 31, 2017:

(000's CAD $)	2018	2019	2020	2021	2022
Operating Leases	225	202	138	198	99
Trade and other payables	3,511	-	-	-	-
Total	3,736	202	138	198	99

The Corporation committed $589 for recertifications and repairs and maintenance for its fleet of land based drilling rigs and $179 for directional drilling upgrades.

(In thousands of Canadian dollars except for per share amounts)

18. LOANS & BORROWINGS

On October 27, 2017, the Corporation entered into an amended and restated commitment letter with its lender increasing its revolving operating loan facility by $1,000 to $3,000 and added short term non-revolving acquisition loan facility in the amount of $2,500. The operating facility bears interest at the bank's prime rate plus 1.0% with interest payable monthly, subject to certain financial ratio covenants and limited to 75% of a defined accounts receivable balance. The credit facility is secured by a general security agreement providing a first security interest over all present and after acquired personal property and specifically registered against any applicable serial-numbered equipment.

In Q4 2017, the Corporation paid off the entire $2,500 short term non-revolving acquisition loan facility. As of December 31, 2017, the Corporation had not drawn on the operating loan facility.

As part of the acquisition of Stampede Drilling Inc., on November 21, 2018, the Corporation paid off the entire outstanding bank debt of $5,418.

19. CONVERTIBLE DEBENTURES

	Number of convertible debentures	Liability component ($,000)	Equity component ($,000)
Balance at December 31, 2016	-	-	-
Issuance of convertible debentures	2,612	2,341	271
Issue costs	-	(47)	(6)
Accretion of discount	-	3	-
Balance at December 31, 2017	2,612	2,297	265

During the year ended December 31, 2017, the Corporation closed two private placement tranches of unsecured, subordinated convertible debentures of the Corporation. An aggregate principal amount of $2,305 was issued under the first tranche on October 18, 2017 and $307 of Debentures was issued under the Final Tranche on October 27, 2017, bringing the total principal amount of Debentures issued under the Offering to $2,612. The Corporation incurred $53 of transaction costs related to the convertible debenture raise for total net proceeds of $2,559. Certain Executives Board members and employees of the Corporation participated in the Offering and purchased Debentures having an aggregate Principal Amount of $950, or approximately 36.4% of the Offering.

The Debentures mature on October 31, 2020 and bear interest at a rate of 10% per annum to be paid semi-annually, in arrears on December 31 and June 30 of each year. They are convertible into common shares in the capital of the Corporation at a price of $0.49 per Common Share based on a conversion premium of approximately 25% to the last trade on the TSX Venture Exchange ("TSXV") on October 6, 2017.

The principal amount of the Debentures are convertible at the option of the holder at any time prior to the close of business on the earlier of (i) the business day immediately preceding the Maturity Date or, (ii) if called for redemption, on the business day immediately preceding the date fixed for redemption, or (iii) if called for repurchase pursuant to a transaction resulting in any person or persons acquiring voting control or direction over at least 50% of the aggregate voting rights attached to the Common Shares then outstanding, on the business day immediately preceding the payment date.

The liability component of the Debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option, which was calculated based on a market interest rate of 14.5%. The difference between the principal amount of the Debentures and the fair value of the liability component was recognized in shareholders' equity, net of deferred income taxes.

The Debentures may not be redeemed by the Corporation prior to October 31, 2018. On and after October 31, 2018 and prior to October 31, 2019, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their Principal Amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the weighted average trading price of the Common Shares on the TSXV, for the 30 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125% of the conversion price. On and after October 31, 2019 and prior to the Maturity Date, the Debentures may be redeemed by the Corporation, from time to time, on not more than 60 days and not less than 40 days prior notice of redemption at a redemption price equal to the Principal Amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption.

20. SUBSEQUENT EVENT

On January 19, 2018, the Corporation acquired all the issued and outstanding shares of D2 Drilling Inc. ("D2"), a private corporation which owns one heavy telescopic double drilling rig and additional drilling equipment in the Weyburn/Estevan area of southeast Saskatchewan. The Corporation issued 6,667 common shares at $0.45 per share being the Corporations share price on the closing date of the acquisition. and a cash payment of $530 equal to D2's working capital at the time of closing for total consideration of approximately $3,000. The majority of the purchase price will be allocated to property and equipment.