Divergent Energy Services Corp.

Consolidated Financial Statements

As at December 31, 2017 and 2016 and for the years ended December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Divergent Energy Services Corp.

We have audited the accompanying consolidated financial statements of Divergent Energy Services Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.

Opinion

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

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Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that Divergent Energy Services Corp. has a history of generating net losses which continued in 2017 with a net loss from continuing operating activities of $1,749,000 recognized. This condition, and other matters as set forth in Note 1 in the consolidated financial statements, indicates the existence of a material uncertainty that may cast significant doubt about Divergent Energy Services Corp.'s ability to continue as a going concern

KPMG LLP

Chartered Professional Accountants

March 22, 2018
Calgary, Canada

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Consolidated Statement of Financial Position

As at December 31,

In United States Dollars, (000`s)	Note	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents		$549	$100
Trade receivables and advances	**5**	689	1,320
Inventories	**6**	1,420	1,868
Prepaid expenses and deposits		139	226
		2,797	3,514
Property and equipment	**7**	435	386
		$3,232	$3,900
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**8**	$3,358	$3,669
Income taxes payable	**15**	1,179	1,087
Debentures	**9**	-	4,116
Current portion of long-term debt	**10**	4	17
		4,541	8,889
Debentures	**9**	4,580	-
Long-term debt	**10**	-	4
		9,121	8,893
Shareholders' deficit			
Share capital	**11**	17,416	16,451
Warrants	**12**	20	383
Contributed surplus		5,644	5,081
Accumulated other comprehensive income		711	643
Deficit		(29,680)	(27,551)
		(5,889)	(4,993)
		$3,232	$3,900

Going concern	**1**
Subsequent event	**23**

Approved by the Board of Directors

Signed "Ken Bagan", Chairman   *Signed "Ken Berg"*, Director, CEO

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

Consolidated Statement of Net Loss and Comprehensive Loss

For the years ended December 31, 2017 and 2016

In United States Dollars, (000`s)	Note	2017	2016
CONTINUING OPERATIONS			
Revenue		$8,182	$11,524
Cost of sales		5,841	9,531
Gross profit		2,341	1,993
General and administrative expenses		2,749	3,140
Stock based compensation		180	255
		2,929	3,395
Results from operating activities		(588)	(1,402)
Product development		327	471
Net finance expense	**17**	833	1,078
Loss (gain) on disposal of assets		1	(83)
		(1,161)	(1,466)
Loss from continuing operations before income taxes		(1,749)	(2,868)
Income tax expense	**15 and 16**	-	-
Loss from continuing operations		(1,749)	(2,868)
Loss from discontinued operations, net of tax	**22**	(380)	(1,690)
Net loss		(2,129)	(4,558)
Other comprehensive income		68	340
Total comprehensive loss for the year		($2,061)	($4,218)
Loss per share	**13**		
Continuing operations - Basic		($0.02)	($0.03)
Discontinued operations - Basic		($0.00)	($0.02)
Net loss - Basic		($0.02)	($0.05)

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

Consolidated Statement of Equity

For the years ended December 31, 2017 and 2016

In United States Dollars, (000`s)	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity(deficit)
Balance January 1, 2016	$15,955	$415	$4,750	$303	($22,953)	($1,530)
Debenture interest paid with common shares (note 11(a))	439	-	-	-	-	439
Common shares cancelled (note 11(b))	(130)	-	(28)	-	-	(158)
Private placement of common shares (net of issue costs) (note 11(c))	187	-	-	-	-	187
Stock based compensation	-	-	289	-	-	289
Warrants expired	-	(70)	70	-	-	-
Warrants extension (net of deferred tax) (note 12(b))	-	38	-	-	-	38
Cost related to warrant extension (note 12(b))	-	-	-	-	(40)	(40)
Net loss for the year	-	-	-	-	(4,558)	(4,558)
Other comprehensive income	-	-	-	340	-	340
Balance at December 31, 2016	16,451	383	5,081	643	(27,551)	(4,993)
Debenture interest paid with common shares (note 11(a))	448	-	-	-	-	448
Private placement of common shares (net of issue costs) (note 11(c))	517	20	-	-	-	537
Stock based compensation	-	-	180	-	-	180
Warrants expired	-	(383)	383	-	-	-
Net loss for the year	-	-	-	-	(2,129)	(2,129)
Other comprehensive income	-	-	-	68	-	68
Balance at December 31, 2017	$17,416	$20	$5,644	$711	($29,680)	($5,889)

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

Consolidated Statement of Cash Flows

For the years ended December 31, 2017 and 2016

In United States Dollars, (000`s)	Note	2017	2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net loss from continuing operations		($1,749)	($2,868)
Items not affecting cash:			
Amortization		102	112
Stock based compensation		180	255
Loss (gain) on disposal of assets		1	(83)
Debenture interest paid in common shares	**11(a)**	448	439
Accretion on debentures		173	163
Provision for bad debts		-	12
Foreign exchange		120	403
		(725)	(1,567)
Changes in non-cash working capital	**21**	771	1,454
Cash from (used) in operating activities		46	(113)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term debt		(17)	(111)
Proceeds from the issue of common shares (net)		537	187
Cash from financing activities		520	76
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Disposal of land and building		-	436
Property, plant and equipment additions		(147)	(249)
Cash (used in) from investing activities		(147)	187
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATIONS	**22**	30	(126)
Effect of exchange rate fluctuations on cash		-	(1)
Change in cash and cash equivalents		449	23
Cash and cash equivalents, beginning of year		100	77
Cash and cash equivalents, end of year		$549	$100

1. REPORTING ENTITY

Divergent Energy Services Corp. (the "Corporation"), is a Canadian Corporation with a registered office located at 1500, 715 - 5 Avenue SW, Calgary, AB, T2P 2X6. The audited consolidated financial statements of the Corporation as at and for the year ended December 31, 2017, comprise the Corporation and its wholly owned foreign subsidiaries (referred to as the "Group").

COTS Mexico was legally dissolved on February 1, 2018 and has been accounted for as such at December 31, 2017.

The Group is in the business of providing artificial lift products and services to its clients in the oil and gas industry throughout North America.

GOING CONCERN

These audited consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Corporation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern are set forth below.

The Corporation has an accumulated deficit of $29,680 at December 31, 2017. The Corporation has experienced a history of net losses which continued during the year ended December 31, 2017 resulting in the recognition by the Corporation of a loss from continuing operations of $1,749.

The Corporation has negative working capital at December 31, 2017, of $1,744. In addition, the Corporation has accounts payable in excess of a year old amounting to $1,200. There is material uncertainty as to whether the Corporation will be able to repay these obligations without obtaining additional future debt or equity financings.

The Corporation's Debentures, amounting to CAD $5,750 were extended to the maturity date to December 31, 2021 in exchange for 5,750,000 common share purchase warrants with an exercise price of CAD $0.13 expiring on December 31, 2021.

The Corporation's management and Board of Directors continue to seek alternative debt and equity financings in order to fund additional projects and operations in North America and to provide for the repayment of the debentures.

In Q2 2017 the Corporation issued common shares through a non-brokered private placement raising gross aggregate proceeds of CAD $750. The Corporation has identified the need for additional equity financing however it has not been successful in raising additional new capital.

The audited consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary to the classification and carrying amounts of the assets and liabilities and the reported revenues and expenses to reflect a liquidation basis of accounting.

2. BASIS OF PRESENTATION

(A) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were authorized for issue by the Board of Directors on March 22, 2018.

(B) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except where otherwise specified.

(C) Functional and presentation currency:

These consolidated financial statements are presented in US dollars. The functional currency of the parent is the Canadian dollar and the functional currency of the Group's subsidiaries is the US dollar. All financial information presented in US dollars has been rounded to the nearest thousand except for per share amounts.

(D) Use of estimates and judgments:

The preparation of the consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Group assesses impairment at each reporting date relative to the valuation of its trade receivables and advances. Depending on the timing of collection, the Group will discount the amounts due. Furthermore, the Group may provide an allowance to the amounts due if collection is deemed unlikely.

Additionally, estimates are used in the determination of the fair value of stock based compensation for options granted, and for warrants issued to shareholders, debenture holders and agents in regards to financing arrangements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(A) Basis of consolidation:

Subsidiaries are entities controlled by the Corporation and the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(B) Foreign currency:

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities which are denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange gains and losses are recognized in profit or loss.

(ii) Foreign operations

For foreign subsidiaries whose functional currency is not the functional currency of the reporting entity, upon consolidation the Group translates assets and liabilities for all foreign subsidiaries at period-end exchange rates and income and expense accounts at average exchange rates. Unrealized gains or losses resulting from these translations are reflected in comprehensive income (loss) as foreign currency translation differences.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income.

(iii) Translation to presentation currency

The assets and liabilities of the Group are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of the Group are translated to the presentation currency at average exchange rates for the reporting period. Foreign currency translation reporting differences are recognized in other comprehensive income.

(C) Financial instruments:

(i) Non-derivative financial assets

The Group initially recognizes receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies non-derivative financial assets as either financial assets at fair value through profit or loss and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Advances and receivables

Advances and receivables 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 advances and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Group has the following advances and other receivables: trade receivables, advances, and cash and cash equivalents.

(ii) Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The Group has the following non-derivative financial liabilities: long-term debt, debentures, accounts payable and accrued liabilities.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Compound financial instruments

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

(D) Long-lived assets – property, plant and equipment:

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized separately in profit or loss.

(ii) Amortization

Amortization is calculated based on the cost of the asset, less its residual value and is recognized in profit or loss over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The capital assets are amortized as follows:

Computer hardware & software	30% declining balance
Furniture and equipment	20% to 30% declining balance
Leasehold improvements	Straight line over lease term
Shop equipment	20% declining balance
Vehicles and trailers	20% to 30% declining balance

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(E) Leased assets:

(i) Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(ii) Other leases are operating leases and the leased assets are not recognized in the Group's consolidated statement of financial position.

(iii) Payments made under operating leases are recognized, in profit or loss, on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(iv) Minimum lease payments, made under finance leases, are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period, during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(F) Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories are based on the weighted average cost principle, and include expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition; net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(G) Impairment:

(i) Financial assets (including trade receivables and advances)

A financial asset not carried at fair value through profit 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. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy. 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 profit 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 profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets include, property and equipment. These 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 costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 component of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or "CGU"). Fair value less costs to sell is determined by using discounted net cash flows of a CGU less costs of disposal, using assumptions that an independent market participant may take into account. The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

(H) Employee benefits:

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Stock based payment transactions

The Group accounts for stock based compensation plans in accordance with IFRS 2, "*Share based payment",* which requires companies to recognize the cost of such awards of equity instruments based on the grant date fair value of those awards. The Group estimates the fair value of stock option awards on the date of grant utilizing a Black–Scholes option valuation model. Certain key assumptions used in the Black-Scholes model include the expected stock price volatility, forfeitures, dividend yield and expected term.

(I) Provisions:

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation, that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(J) Revenue:

Revenue from the artificial lift sale of pumps and motor products in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer.

(K) Income tax:

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted, or substantially 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:

(i) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(ii) temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;

(iii) 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, using tax rates enacted or substantively enacted at 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.

Deferred tax assets and liabilities 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.

(L) 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 profit or loss, attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise stock options and warrants to purchase common shares.

(M) Accounting Standards and Amendments (issued but not yet adopted):

A number of new accounting standards, amendments to accounting standards and interpretations are effective for annual periods beginning on or after January 1, 2018 and have not been applied in preparing the Consolidated Financial Statements for the year ended December 31, 2017. The standards applicable to the Corporation are as follows:

Leases
On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted. The Corporation is currently evaluating the impact of adopting IFRS 16 on the Consolidated Financial Statements.

Revenue
In May 2014, the IASB issued IFRS 15, "*Revenue From Contracts With Customers"* ("IFRS 15") replacing IAS 11, "*Construction Contracts*", IAS 18, "*Revenue*" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation has assessed the impact of adopting IFRS 15 on the Consolidated Financial Statements and there have been no material differences identified as part of the Corporation's assessments. Management does not expect any changes when IFRS 15 is adopted.

Financial Instruments
On July 24, 2014, the IASB issued the final version of IFRS 9, "*Financial Instruments*" ("IFRS 9") to replace IAS 39, "*Financial Instruments: Recognition and Measurement*" ("IAS 39"). IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in accumulated other comprehensive Income rather than net earnings, unless this creates an accounting mismatch. In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. The Corporation has assessed the impact of adopting IFRS 9 on the Consolidated Financial Statements and there have been no material differences identified as part of the Corporation's assessments. Management does not expect any material changes when IFRS 9 is adopted.

4. DETERMINATION OF FAIR VALUES

Some of the Group's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(A) Trade receivables and advances:

The fair value of trade receivables and advances is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(B) Non-derivative financial liabilities:

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of debentures, the market rate of interest is determined by reference to similar liabilities that do not have equity features attached. For financing leases, the market rate of interest is determined by reference to similar lease agreements.

(C) Stock-based payment transactions and warrants:

The fair value of the employee stock options and warrants are measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility, the weighted average expected life of the instruments (based on historical experience and general option-holder behavior), the expected dividends, and the risk-free interest rate. Service and non-market performance conditions are not taken into account in determining fair value.

5. TRADE RECEIVABLES AND ADVANCES

Trade receivables:	2017	2016
Not past due 1 – 60	$676	$1,073
Past due 61 - 90 days	2	-
Past due more than 90 days	11	18
Trade receivables	689	1,091
Advances receivable:		
Past due more than 90 days	-	229
Advances receivable	-	229
Trade receivables and advances:	$689	$1,320

Advances receivable:

The Group previously advanced funds to a Mexican business on a project by project basis for the construction of oil and gas infrastructure in Mexico. During the year ended December 31, 2017, the Group collected $229 (2016 - $Nil) in cash receipts pertaining to advances receivable and wrote-off $125 (2016 - $1,298).

6. INVENTORIES

	2017	2016
Components	$1,303	$1,684
Finished Goods	117	184
Total	$1,420	$1,868

All inventory relates to artificial lift sales and service. Inventories presented above include provisions for slow moving items amounting to $Nil (2016 - $Nil) and the inventory included in cost of sales amounts to $4,502 (2016-$7,684).

7. PROPERTY AND EQUIPMENT

Cost

	Land and buildings	Vehicles and trailers	Computer and office equipment	Leasehold improvements	Shop equipment	Total
Balance at January 1, 2016	$598	$403	$206	$202	$633	$2,042
Additions	-	23	22	37	179	261
Disposals	(598)	(7)	(77)	(174)	(137)	(993)
Effects of movement in exchange rates	-	-	(5)	(1)	(8)	(14)
Balance at December 31, 2016	$-	$419	$146	$64	$667	$1,296
Additions	-	8	14	10	130	162
Disposals	-	(70)	(1)	-	-	(71)
Effects of movement in exchange rates	-	-	(2)	-	-	(2)
Balance at December 31, 2017	$-	$357	$157	$74	$797	$1,385

Accumulated amortization

	Land and buildings	Vehicles and trailers	Computer and office equipment	Leasehold improvements	Shop equipment	Total
Balance at January 1, 2016	($205)	($256)	($181)	($116)	($534)	($1,292)
Amortization for the year	(10)	(50)	(10)	(10)	(39)	(119)
Disposals	215	4	60	96	113	488
Effects of movement in exchange rates	-	-	4	1	8	13
Balance at December 31, 2016	$-	($302)	($126)	($30)	($452)	($910)
Amortization for the year	-	(33)	(6)	(6)	(60)	(105)
Disposals	-	62	-	-	-	62
Effects of movement in exchange rates	-	-	1	-	1	2
Balance at December 31, 2017	$-	($273)	($131)	($36)	($511)	($951)

Carrying amounts

	Land and buildings	Vehicles and trailers	Computer and office equipment	Leasehold improvements	Shop equipment	Total
As at December 31, 2016	$-	$117	$20	$34	$215	$386
As at December 31, 2017	$-	$84	$27	$38	$286	$435

The Corporation sold property which included the land and building located in Gillette, Wyoming for net proceeds of $403, in Q3 2016. The related mortgage balance of $64 was paid out in full. A gain on sale for accounting purposes of $97 was recorded at September 30, 2016 and the Corporation's carryforward tax losses in the US shielded any associated tax liability from the disposal of the land and building. The net book value of the land and building at December 31, 2015 was $393.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade payables	$2,614	$3,149
Accrued liabilities	744	520
Total accounts payable and accrued liabilities	$3,358	$3,669

Included in Accounts payable and accrued liabilities are amounts in excess of one year old payable to suppliers of $1,200 (2016 - $1,200).

9. DEBENTURES

	Principal	Debt portion	Warrant portion	Common shares issued as transaction costs
10% debentures payable at December 31, 2015	$5,234	$3,836	$Nil	$21
Accretion		163	-	-
Effect of movements in exchange rates		117	-	-
10% debentures payable at December 31, 2016	$5,234	$4,116	$-	$21
Accretion		173	-	-
Effect of movements in exchange rates		291	-	-
10% debentures payable at December 31, 2017	$5,234	$4,580	$Nil	$21

(a) In Q1 of 2014, the Corporation completed the closing of a CAD $5,750 debenture offering. At the first closing in December 2013, the Corporation issued 1,800 Units for gross proceeds of CAD $1,800 with a further 3,950 issued in 2014 for gross proceeds of CAD $3,950. Each unit comprises of CAD $1 of non-convertible secured non-transferable subordinated debentures and 500 non-transferable share purchase warrants, in aggregate 2,875,000 share purchase warrants were issued. The share purchase warrants expired on December 31, 2015, and were exercisable at CAD $0.30 per share purchase warrant.

(b) On December 31, 2014, the Corporation requested and was granted an extension of the maturity date for the outstanding debentures by the registered holders. Debenture holders signed new agreements and the maturity dates of the debentures were extended by one year to December 31, 2015. The terms of the extension agreement included the issue of 500 common share purchase warrants for each CAD $1 principal amount of debenture held totaling 2,875,000 warrants, exercisable at CAD $0.20 and expiring December 31, 2016.

(c) On December 23, 2015, the Corporation requested and was granted an extension of the maturity date for the outstanding debentures by the registered holders. Debenture holders signed new agreements and the maturity dates of the debentures were extended by two years to December 31, 2017. The terms of the extension agreement included the issue of 500 common share purchase warrants for each CAD $1 principal amount of debenture held totaling 2,875,000 warrants, exercisable at CAD $0.25 and expiring December 31, 2017.

(d) On November 1, 2017, the Corporation requested and was granted an extension of the maturity date for the outstanding debentures by the registered holders and the maturity dates of the debentures were extended by four years to December 31, 2021. The terms of the extension agreement included the issue on January 1, 2018 5,750,000 warrants, exercisable at CAD $0.13 and expiring December 31, 2021.

10. LONG-TERM DEBT

	Interest Rate	Maturing	2017	2016
Truck loans	5.00%	2018	$4	$21
Less: Current portion			(4)	(17)
Total Long-term debt			$-	$4

Pursuant to a truck loan between the Corporation's US subsidiary and a US bank, the obligation is secured by a vehicle having a net book value of $3.

11. SHARE CAPITAL

Authorized

Unlimited common shares

Unlimited preferred shares, issuable in series.

Issued

Common shares (In 000`s except number of shares)	**Number of Shares**	**Amount**
Balance at January 1, 2016	96,325,459	$15,955
Common shares issued – debenture interest (note 11(a))	2,833,150	439
Common shares returned and cancelled - in exchange for inventory (note 11(b))	(1,000,000)	(130)
Common shares issued - private placement (net of costs) (note 11(c))	902,915	187
Balance at December 31, 2016	99,061,524	16,451
Common shares issued – debenture interest (note 11(a))	4,840,648	448
Common shares issued - private placement (net of costs) (note 11(d))	5,000,000	517
Balance at December 31, 2017	108,902,172	$17,416

(a) Pursuant to the second supplemental indenture of the debentures, the Corporation has the option to pay the debenture interest in either cash or common shares up to and including at the maturity of the debentures on December 31, 2021. As a result of these amended terms the Corporation paid the quarterly interest payments during the fiscal year ended 2017 and 2016 by the issue of 4,840,648 (2016 – 2,833,150) in lieu of cash of $448 (2016 - $439) common shares.

(b) On February 20, 2015 the Corporation and MCM Consulting Inc., and entity owned by management of Karlington, executed a debt settlement agreement to settle a liability which originally arose under a Trade Name and Trade Mark License Agreement dated November 14, 2012. The debt amounting to $272 which was originally recorded as a contingent liability at fair value upon the acquisition of Karlington Artificial Lift, LLC., was settled by the Corporation issuing 1,000,000 of its common shares to MCM Consulting Inc. Effective January 22, 2016 the Corporation commenced the closure of its Karlington subsidiary in Kalama, Washington, USA. The managers of Karlington entered into a termination and release agreement with management. Pursuant to the terms of the agreement, Karlington disposed of all outstanding inventory to Karlington management in exchange for 1,000,000 common shares of the Corporation that were previously held by them. No gain or loss was recorded in the 2016 fiscal period as the inventory was written down to its estimated fair value at December 31, 2015.

(c) The Corporation completed a non-brokered private placement of 902,915 common shares at a price of CAD $0.27 per common share for aggregate gross proceeds of CAD $244. Divergent paid commissions and finder's fees to qualified non-related parties of 6% which amounted to CAD $4 (which was based on CAD $65 of the gross proceeds).

(d) During Q2 2017 the Corporation completed a private placement of 5,000,000 common shares at a price of CAD $0.15 per share for gross proceeds of CAD $750. Divergent paid finder's fees to qualified non-related parties of 6% of the gross proceeds which amounted to CAD $41. In addition, qualified non-related parties received 276,000 warrants exercisable at CAD $0.15 which expire on December 31, 2018 and were attributed a value of CAD $27.

12. WARRANTS

(in 000's except for number of warrants)	Number of warrants	Amount
Balance January 1, 2016	7,725,000	$415
Warrants expired	(1,975,000)	(70)
Extension to the maturity date of warrants (net of deferred tax of $2) (note 12(a))	-	38
Balance at December 31, 2016	5,750,000	$383
Warrants expired	(5,750,000)	(383)
Warrants issued with private placement of common shares (note 12 (c))	276,000	20
Balance at December 31, 2017	276,000	$20

a) During the year ended December 31, 2016, the Corporation extended the maturity date of 2,875,000 warrants with an exercise price of CAD $0.20 that were to expire on December 31, 2016 to December 31, 2017. Utilizing the Black Scholes valuation model an additional value was calculated and attributed to the warrants of $38 (net of deferred tax of $2).

b) January 1, 2018 the Corporation issued 5,750,000 warrants with an exercise price of CAD $0.13 that will expire on December 31, 2021. Utilizing the Black Scholes valuation model the additional value was calculated and attributed to the warrants of $194 (net of deferred tax of $21).

c) During Q2 2017 the Corporation completed a private placement of 5,000,000 common shares at a price of CAD $0.15 per share for gross proceeds of CAD $750. Divergent paid finder's fees to qualified non-related parties of 6% of the gross proceeds which amounted to CAD $41. In addition, qualified non-related parties received 276,000 warrants exercisable at CAD $0.15 which expire on December 31, 2018 and were attributed a value of CAD $27.

d) On November 1, 2017, the Corporation requested and was granted an extension of the maturity date for the outstanding debentures by the registered holders and the maturity dates of the debentures were extended by four years to December 31, 2021. The terms of the extension agreement included the issue on January 1, 2018 of 5,750,000 common share purchase warrants, exercisable at CAD $0.13 and expiring December 31, 2021.

Warrants outstanding at December 31, 2017

Expiry	Exercise Price (CAD $)	Number of Warrants
December 31, 2018	0.15	276,000

13. LOSS PER SHARE

Basic and diluted loss per share have been calculated based on continuing net loss divided by the weighted average number of common shares outstanding for the year ended December 31, 2017, of 103,178,228 (2016 – 97,002,257). Income from discontinued operations for the year ending December 31, 2017 was calculated based on the income divided by the weighted average number of common shares outstanding for the year ended December 31, 2017 and exercisable warrants and stock options totaling 107,505,893. Dilutive instruments for the year ending December 31, 2016 were anti-dilutive and therefore have not been used in the dilutive continuing and discontinued loss' per share calculation.

14. STOCK BASED PAYMENTS

The Corporation has established a stock option plan to allow certain officers, directors, employees and consultants to acquire common shares of the Corporation. A total of 10% of the Corporation's shares outstanding are reserved for the issue of stock options pursuant to the stock option plan. For the year ending December 31, 2017, $X (2016 -$289) of stock based compensation was recognized in the statement of net loss and comprehensive loss with a corresponding amount in contributed surplus.

Continuity of stock options at December 31,	2017		2016	
	Number of options	Weighted average exercise price (CAD $)	Number of options	Weighted average exercise price (CAD $)
Balance – beginning of year	7,175,000	$0.33	6,800,000	$0.35
Issued	1,930,000	$0.16	1,375,000	0.27
Forfeitures	(2,320,000)	$0.35	(1,000,000)	0.31
Balance – end of year	6,785,000	$0.29	7,175,000	$0.33

The number of options exercisable at December 31, 2017, is 4,051,665 (2016 – 3,936,667) at a weighted average exercised price of CAD $0.33 (2016 - CAD $0.34). The weighted average remaining term for exercisable options is 3 years (2016 - 3 years).

During fiscal 2017, the Corporation granted the following options:

Granted	Number of options	Exercise price (CAD)	Estimated fair value (CAD)	Vesting
March 28, 2017	1,530,000	$0.16	$129	Vest one-third annually over three years and expire 5 years from the date of grant.
June 23, 2017	400,000	$0.17	$32	Vest one-third annually over three years and expire 5 years from the date of grant.

A total fair value of $161 was estimated for the 1,930,000 options that were granted in 2017, using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2017
Risk free rate	0.78%
Average expected volatility	64%
Expected dividend per share	Nil
Expected life	5 years

15. INCOME TAX EXPENSE

Reconciliation of effective tax rate:

Income tax expense differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rate to net income (loss) before taxes. The reasons for the differences are as follows:

	2017	2016
Loss from continuing operations before tax	($1,749)	($2,868)
Statutory income tax rate	27.0%	27.0%
Computed income tax (recovery)	(472)	(774)
Increase (decrease) result from:		
Non-deductible expenses	73	219
Unrecognized deferred tax assets	399	555
Income tax expense	$Nil	$Nil

As at December 31, 2017 income taxes payable recorded on the consolidated statement of financial position are $1,179 (2016 - $1,087) and they relate to COTS Mexico which has been reported as discontinued operations. The Corporation had recorded a provision for income taxes in Mexico relative to potential reassessments and have also recorded interest on the potential tax payable. The taxes payable shall be reversed once the taxation years ending December 31, 2012 and 2013 become statute barred: no later than March 31, 2019.

16. DEFERRED TAXES

Deferred tax assets and liabilities

Unrecognized deferred tax assets	2017	2016
Unrecognized deferred tax assets:		
Deductible temporary differences	$9,895	$7,932
Non-capital losses carried forward	10,525	9,501
	$20,420	$17,434

The Group has non-capital losses for income tax purposes in Canada and US that expire from 2028 to 2037. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits.

17. NET FINANCE EXPENSE

	2017	2016
Interest expense	$533	$457
Foreign exchange loss	127	458
Accretion expense (note 9)	173	163
Net finance expense	$833	$1,078

18. FINANCIAL RISK MANAGEMENT

(A) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework including developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade receivables and advances

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current economic circumstances. Approximately 89% percent (2016: 95 percent) of pump sales are attributable to one customer. The Group has established allowances for impairment of trade receivables and advances in 2017 - $125 (2015 - $1,298) which are included in the discontinued operations note (Note 22).

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. See Note 1 with respect to the conditions that currently exist that may cast significant doubt on the Corporation's ability to continue as a going concern.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group'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 the return. The level of market risk to which the Group is exposed to, depends on market conditions, expectations of future price or market rate movements and the composition of the Group's financial assets and liabilities. The Group regularly monitors market risk exposure, tolerances and control processes in order to manage the exposure related to changes in market risk to stay within acceptable market risk limits.

(i) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US dollar and Canadian dollar. The Group does not hedge its foreign currency.

At December 31, 2017, assuming all other variables were held constant, $0.01 strengthening of the US dollar against the Canadian dollar would have increased the loss from continuing operations before income taxes by approximately $4 (2016: $4). Similarly, a $0.01 weakening of the US dollar against the Canadian dollar and at December 31, 2017 (and 2016) would have had the equal but opposite effect on the loss from continuing operations before income taxes. Interest on borrowings is denominated in the currency of the borrowing. Generally, the debentures are denominated in Canadian dollars and long-term debt is in US dollars.

(ii) Interest rate risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Group's financial assets or liabilities. The Group is exposed to interest rate risk on certain debt instruments and short term investments to the extent of changes in the underlying market interest rates. Cash flow exposure to interest rate risk is minimal at this time as substantially all of the Group's borrowings bear interest at fixed rates.

(B) Capital management:

Capital, which the Group defines as its share capital and debt, is monitored on a basis of the debt-to-capitalization ratio. For the purposes of this calculation, debt includes current and long-term portions of borrowed funds, including debentures. The Group's objective when managing its capital is to strike a balance between maintaining investor, creditor and market confidence while sustaining future development of the Group.

The Group's existing debt agreements do not require maintenance of any financial covenants. There were no changes to the Group's approach to capital management during the year ended December 31, 2017. The Group is not subjected to any internally or externally imposed capital requirements.

(C) Contingencies:

From time to time, the Group is subject to legal proceedings, assessments and claims in the ordinary course of business. At this time, in the opinion of management, none of these matters are reasonably expected to result in a material adverse effect on the Group's financial position.

19. COMMITMENTS

The Group has entered into operating leases for the use of premises and vehicles. Minimum annual operating lease payments are summarized for the years as follows:

	2018	2019	2020	2021	Total
Premises and office equipment	$253	$253	$253	$172	$931
Vehicles	93	47	20	-	160
	$346	$300	$273	$172	$1,091

20. RELATED PARTIES

The following transactions were in the normal course of operations and entered into with the same terms as non-related parties and are recorded at their agreed to exchange amounts which reflect fair values:

(A) The 10% debenture of CAD $5,750 includes CAD $1,423 from directors and officers of the Corporation. Interest paid to directors and officers in the year ended 2017 amount to CAD $78 (2016 – CAD $ 13).

(B) Officers and directors advanced the Corporation CAD $195, of which CAD $70 was converted into common shares of the private placement (Note 11(d)). The remaining advances of CAD $125 is included in accounts payables and accrued liabilities. The advances are due on demand and bear interest at 10%. Interest of CAD $9 is included in accounts payable and accrued liabilities.

(C) In addition to their salaries, the Group also provides non-cash, stock based compensation to executive officers. Directors also participate in the Corporation's stock option program (see note 14).

Key management personnel compensation comprised:

	2017	2016
Salaries and wages	$476	$542
Commissions	149	166
Directors' fees	47	59
Stock based compensation	145	267
Total	$817	$1,034

Included in accounts payable and accrued liabilities at December 31, 2016, are commissions of $46 (2016-$13).

21. SUPPLEMENTARY CASH FLOW INFORMATION

Net change in non-cash working capital as at December 31,

	2017	2016
Trade receivables and advances	$403	($161)
Inventories	488	19
Prepaid expenses and deposits	84	141
Accounts payable and accrued liabilities	(204)	1,366
Income taxes payable	-	89
Total net change in non-cash working capital	$771	$1,454

22. DISCONTINUED OPERATIONS

The Corporation's management commenced the winding down of operations in Mexico in December 2015, and during the fiscal year 2016 closed the Project management and financing division and effective December 31, 2017 COTS Mexico was legally dissolved. The operating results of the Project management and financing segment are presented below as discontinued operations, and it should be noted that the comparative results from operations have been restated to show the discontinued operations separately from continuing operations.

	2017	2016
Revenue	$-	$-
Cost of sales	-	-
Gross profit	-	-
Selling, general and administrative expenses	150	131
Amortization	2	7
Provision for bad debts on advances receivable	125	1,286
Loss on disposal of assets	3	73
Stock based compensation	10	34
Foreign exchange (gain) loss	-	57
	290	1,588
Loss from discontinued operations before income taxes	(290)	(1,588)
Income tax expense	(90)	(102)
Loss from discontinued operations	($380)	($1,690)

The Corporation loaned a total of $1,914 to an unrelated Mexican business partner during fiscal 2011 through 2014.

During the 2016 fiscal period management determined that the long-term loan receivable from the unrelated Mexican business partner would not be settled due to the current business volumes and accordingly the remaining outstanding balance of the loan due to the Corporation was provided for during the year which amounted to $126 (2016 - $1,286). No interest was recorded for the year ended December 31, 2017 (2016- $Nil).

Cash flows from (used in) discontinued operations

	2017	2016
Cash (used in) from operating activities	$30	($127)
Cash generated from investing activities	-	1
Cash flows (used in) from discontinued operations	$30	($126)

23. SUBSEQUENT EVENT

The Corporation dissolved its Mexican subsidiary on February 19, 2018. All the remaining assets were disposed of and the intercompany loans from the Corporation and its sister companies were attributed to contributed surplus of the Mexican subsidiary prior to its dissolution which has created a tax liability of $955.