LOGAN INTERNATIONAL INC.
2015 Management’s Discussion and Analysis
For the Year Ended December 31, 2015

Logan International Inc.’s (the “Company” or “Logan International” or the “Group”) consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) that are effective as at December 31, 2015. The information in this Management’s Discussion and Analysis (“MD&A”) has been prepared based upon information in those financial statements.

The following table sets forth selected financial information with respect to the Company’s consolidated financial condition and results of operations for the periods presented and should be read together with the consolidated financial statements and related notes and MD&A that follow.

All reported amounts are stated in thousands of U.S. dollars unless otherwise noted.

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2015	2014	2013
(000’s, except per share amounts)			
Revenue	$ 77,695	$ 147,187	$ 163,241
Gross profit	24,368	57,186	65,309
Earnings (loss) for the period			
Continuing operations	(12,940)	2,574	18,943
Discontinued operations [1]	(20,409)	(2,363)	(287)
Net earnings (loss) for the period	(33,349)	211	18,656
Earnings (loss) per share from continuing operations			
Basic	$ (0.38)	$ 0.08	$ 0.57
Diluted	$ (0.38)	$ 0.08	$ 0.56
Earnings (loss) per share:			
Basic	$ (0.99)	$ 0.01	$ 0.56
Diluted	$ (0.99)	$ 0.01	$ 0.55
Weighted average common shares outstanding (000’s):			
Basic	33,638	33,566	33,411
Diluted	33,638	33,963	33,864
EBITDA [2]	$ 6,468	$ 33,514	$ 39,910
Modified EBITDA [2]	$ 7,853	$ 34,691	$ 42,353

	December 31,		
	2015	2014	2013
Working Capital	$ 43,037	$ 97,807	$ 82,399
Total Assets	$ 221,265	$ 271,763	$ 283,559
Debt [3]	$ 51,195	$ 49,327	$ 57,788
Shareholders' Equity	$ 150,644	$ 188,591	$ 191,144

[1] See "Logan Completion Systems Inc." on page 3.

[2] Non-IFRS financial measure. See “Management’s Discussion and Analysis - Non-IFRS Measurements”.

[3] Includes borrowed debt and finance lease liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis has been prepared by management as at March 30, 2016 and is a review of the financial position and operating results for the three month and twelve month periods ended December 31, 2015 and 2014 and should be read in conjunction with the Company's consolidated financial statements for the periods presented, which were prepared in accordance with IFRS. All reported amounts are stated in thousands of U.S. dollars unless otherwise noted.

Forward Looking Statements: This document contains forward-looking statements. These statements relate to future events or future performance of the Company. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, the future recovery of the oil and gas industry, future demand for the Company's products and services in international markets, future business prospects, the Company's ability to weather current economic conditions, the ability of the Company to refinance its credit facility, the effect of legal proceedings on the Company's financial position, the sale of Logan Completion Systems, Logan's efforts to sell underperforming assets, the effect of new accounting pronouncements and the Company's future capital structure. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect management's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Although management believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Many factors could cause Logan International's actual results, performance or achievements to differ materially from those described in this document. Readers are referred to Logan International's Annual Information Form for the year ended December 31, 2015, filed on www.sedar.com, which identifies significant risk factors that could cause actual results to differ from those contained in the forward-looking statements. Should one or more risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this document. The forward-looking statements contained in this document are expressly qualified in their entirety by this cautionary statement. These statements speak only as at the date of this document. Logan International does not intend and does not assume any obligation, to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

Presentation Overview: Effective April 17, 2013, the Company, through its wholly-owned subsidiaries Logan Oil Tools, Inc. and Logan Jar, LLC, purchased certain assets and operations related to the Sup-R-Jar drilling jar product line. Accordingly, the Company recognized eight and a half months of the Sup-R-Jar product line's operating results in the consolidated financial statements for the twelve months ending December 31, 2013.

During the fourth quarter of 2015, the Company committed to a plan to sell substantially all of the assets and operations of its Logan Completion Systems ("LCS") business. Accordingly, all of the assets and liabilities the Company considered to be a part of the disposal group have been separately presented as held for sale at December 31, 2015. Also, the results of the LCS operations have been shown as discontinued operations for all years presented in the consolidated financial statements and in this MD&A. Prior period amounts have been re-presented for comparative purposes. LCS was previously included in the Company's downhole tool segment.

Business Overview: Through its subsidiaries, the Company manufactures and sells a complete line of fishing and intervention tools, including retrieving, stroking and remedial tools and power swivel equipment (Logan Oil Tools, Inc.); designs, manufactures and repairs high performance polycrystalline diamond compact ("PDC") cutters and bearings for a variety of well workover, intervention, drilling and completion activities (Logan SuperAbrasives, Inc.); provides proprietary products, services and technologies to enhance production in sand-laden oil wells (Scope Production Developments Ltd.); designs, develops, manufactures and sells completion products such as packers, bridge plugs and collar locators (Logan Kline Tools); rents a proprietary tool that improves horizontal drilling effectiveness by reducing well-bore friction (Xtend Energy Services Inc.); and rents drilling jars in North America (Logan Jar, LLC). Other than Xtend Energy Services Inc. and Logan Jar, LLC, all of the Company's operating subsidiaries are included in the Company's downhole tool segment. Xtend Energy Services Inc. and Logan Jar, LLC are included in the Company's rental tool segment.

Downhole Tool Operations

Logan Oil Tools, Inc. ("Logan Oil Tools")

Logan Oil Tools manufactures and sells fishing tools, stroking tools, remedial tools and power swivel equipment. Fishing tools are used in the retrieval of drill bits, drill pipe, tubing, casing and bottom hole assemblies from a well bore in order to permit drilling operations or production to continue. Stroking tools are used to free pipe that is stuck in a wellbore by delivering an upward or downward impact force. Remedial tools consist of casing patches and cutters that allow for the in-place repair of damaged pipe, thus eliminating the need to remove the casing string from the wellbore. Power swivel equipment is used in workover and drilling applications for improved pipe handling capability and enhanced safety and productivity of the drilling process. Logan Oil Tools sells its products in North America and in established international oil producing locations, including the North Sea, offshore West Africa, Russia, the Middle East, the Far East and Latin America. Logan Oil Tools conducts its manufacturing operations in Houston, Texas and has sales facilities in oil and gas producing areas, enabling the Company to provide localized inventory and service. Its North American locations are: Broussard and Houma, Louisiana; Oklahoma City, Oklahoma; Alice, Houston, Kilgore, and Odessa, Texas; Vernal, Utah; Williston, North Dakota; Williamsport, Pennsylvania; and Edmonton, Alberta. The Company also operates from locations in: Kintore, Scotland; Bogota, Colombia; Dubai, United Arab Emirates; and Singapore.

Logan SuperAbrasives, Inc. ("Logan SuperAbrasives")

Logan SuperAbrasives designs, manufactures and repairs a complete line of specialized super-abrasive products for tooling, including high-performance PDC cutters for oilfield drill bits and PDC and tungsten carbide thrust and radial bearings for downhole drilling motors and production pumps. Logan SuperAbrasives conducts its manufacturing and sales operations in Houston, Texas. Logan SuperAbrasives was formerly known as Dennis Tool Company.

Logan Kline Tools ("Kline")

Kline is a leading manufacturer of downhole completion tools. Kline provides a wide range of conventional and unconventional completion equipment for the upstream well completion and workover markets. The product line consists of packers, plugs, tubing anchors, swivels and remedial tools for conventional applications and a multi-stage frac system for unconventional shale wells. Kline conducts manufacturing and sales operations in Tulsa, Oklahoma and maintains a sales and assembly facility in Odessa, Texas. In addition, Kline operates sales offices in Greeley, Colorado and Alice, Texas. Logan Kline Tools was formerly known as Kline Oilfield Equipment, Inc.

Scope Production Developments Ltd. ("Scope")

Scope is a provider of specialized and proprietary downhole tools and services that enhance production in heavy oil wells. Scope's technologies are optimally suited for wells producing sand-laden heavy oil from unconsolidated sandstone formations. The technologies include tools that limit sand intrusion into the pump intake as well as other tools that aid in cleaning out sanded wellbores. Scope conducts its operations in Lloydminster, Alberta and is currently focused on the Canadian market.

Logan Completion Systems Inc. ("Logan Completion Systems")

Logan Completion Systems is a provider of specialized downhole completion equipment and services. Logan Completion Systems provides a wide range of conventional and unconventional completion equipment, as well as well site installation services, to the upstream well completion and workover markets. The product line consists of a wide range of packers, plugs, liner hangers and a proprietary multi-stage hydraulic fracturing ("frac") system for unconventional shale wells. Logan Completion Systems conducts its operations from its service locations in Lloydminster, Bonnyville, and Edmonton, Alberta; Estevan, Saskatchewan; and Longview, Texas.

As noted under "Presentation Overview" above, as at December 31, 2015, the Company had committed to a plan to dispose of substantially all of the assets and operations of Logan Completion Systems. Accordingly, the assets and liabilities are presented as held for sale and the results of operations are shown as discontinued operations in the consolidated financial statements and in the MD&A. Prior periods have been re-presented for comparative purposes.

Rental Tool Operations

Xtend Energy Services Inc. ("Xtend")

Xtend rents a proprietary tool (the "Xciter") that improves drilling effectiveness by reducing well-bore friction. The Xciter is used in the drilling of unconventional horizontal oil and gas wells. The tool's vibration improves penetration rates during the periods when the drill string is transitioning from vertical to horizontal and during the drilling of the horizontal section of the well. Xtend maintains operating locations in Nisku, Alberta and Houston, Texas.

Logan Jar, LLC ("Logan Jar")

Logan Jar rents the Sup-R-Jar drilling jar, which is used to deliver a sharp blow to the drill string to free stuck drill pipe, and since the third quarter of 2014, fishing and coil tubing jars. Logan Jar has operations in: Oklahoma City, Oklahoma (closed in October 2015); Houston and Alice, Texas; Broussard, Louisiana; and Nisku, Alberta.

Non-IFRS Measurements: This MD&A presents: (a) EBITDA as earnings (loss) before net finance cost, income tax expense (benefit), impairment losses and depreciation and amortization ("EBITDA"), and (b) Modified EBITDA as EBITDA before acquisition accounting adjustments, transaction fees, share-based compensation expense and severance costs ("Modified EBITDA"). Neither of these measurements should be considered an alternative to, or more meaningful than, "net earnings (loss) from continuing operations for the period" or "cash flow from (used in) operating activities" as determined in accordance with IFRS as an indicator of the Company's financial performance. EBITDA and Modified EBITDA do not have standardized definitions as prescribed by IFRS; therefore, the Company's presentation of these measurements may not conform to similar presentations by other companies. Management calculates EBITDA and Modified EBITDA each period and evaluates the Company's operating performance based on these measurements. Management believes that Modified EBITDA, which eliminates significant non-cash or non-recurring items of revenue or cost, more accurately presents the results of the Company's ongoing operations and its ability to generate the cash required to fund or finance future growth, acquisitions and capital investments. A reconciliation of EBITDA and Modified EBITDA with net earnings (loss) from continuing operations for each period follows.

	Year ended December 31,		
(000's)	2015	2014	2013
Net earnings (loss) from continuing operations	$ (12,940)	$ 2,574	$ 18,943
Addbacks:			
Depreciation and amortization	10,368	10,910	9,616
Impairment loss	6,535	10,590	-
Finance cost, net	3,721	4,219	4,538
Income tax expense (benefit)	(1,216)	5,221	6,813
EBITDA	6,468	33,514	39,910
Adjustments:			
Acquisition accounting adjustments	-	188	612
Transaction fees	146	215	794
Severance costs	357	401	248
Share-based compensation	882	373	789
Modified EBITDA	$ 7,853	$ 34,691	$ 42,353

EBITDA and Modified EBITDA are provided as measures of the Company's operating performance without regard to financing decisions, share-based compensation payments, age and cost of equipment used and income tax impacts, all of which are factors that are not controlled at the operating management level. The acquisition accounting adjustments reverse the effect of the increase or step-up in cost basis of inventories and fixed assets acquired in business combinations when they are sold. The transaction fees include the professional and other fees incurred in connection with the Company's strategic review, as well as business acquisitions. Share-based compensation relates to expense recognized from the granting of stock appreciation rights, stock options and restricted share units.

Results of Operations

	Year ended December 31,	
(000's)	2015	2014
Revenue	$ 77,695	$ 147,187
Cost of goods sold	53,327	90,001
Gross profit	24,368	57,186
Gross profit margin	*31.4%*	*38.9%*
Administrative expenses	28,531	34,339
Impairment loss	6,535	10,590
Other expense (income)	(263)	243
Finance cost, net	3,721	4,219
Total expenses	38,524	49,391
Earnings (loss) before income taxes	(14,156)	7,795
Income tax expense (benefit)	(1,216)	5,221
Net earnings (loss) from continuing operations	(12,940)	2,574
Net loss from discontinued operations	(20,409)	(2,363)
Net earnings (loss) for the period	$ (33,349)	$ 211

CONSOLIDATED ENTITY REVIEW FOR YEAR ENDED DECEMBER 31, 2015 COMPARED WITH THE YEAR ENDED DECEMBER 31, 2014

REVENUE

The Company's revenue decreased to $77.7 million in the year ended December 31, 2015 from $147.2 million in 2014. The collapse in energy prices that began in late 2014 and progressed through 2015 led to a dramatic slowdown in industry activity during 2015 that affected demand in each of the Company's product lines. Revenues from downhole tool products and services decreased 46% from the prior year and revenues from the rental tools segment decreased 57% from 2014. The decreased demand resulted in lower volumes across substantially all product lines and geographic areas, with the most significant decreases occurring in the Company's North American operations, particularly Canada. The volume declines worsened with each sequential quarter and led to increased competition for the limited sales opportunities and to price reductions and other concessions in most product lines in the latter part of the year.

GROSS PROFIT

Gross profit was $24.4 million for the year ended December 31, 2015, down from $57.2 million in 2014. The gross profit margin decreased to 31.4% of revenue, from 38.9% of revenue in 2014. The decrease in revenue was the primary driver for the gross profit decline; however, higher customer discounts and other pricing concessions also contributed to the revenue decline and impacted the gross profit margin. In addition to discounts, the gross profit margin declined at a greater rate than sales because the Company was unable to absorb all of its fixed costs . Cost cutting intiatives were implemented beginning in early 2015, including reductions in personnel costs, overtime hours, property and casualty insurance expenses and employer benefit plan expenses; however the positive effects of these intitatives were not sufficient to overcome the impact of the decrease in revenues.

ADMINISTRATIVE EXPENSES

For the year ended December 31, 2015, administrative expenses declined $5.8 million to $28.5 million from $34.3 million in 2014. Compensation and benefit costs decreased $4.2 million due to lower headcount and the substantial elimination of incentive compensation expense for 2015. Professional fees decreased $0.4 million due to lower legal and transaction fees, as well as in-sourcing certain tax and accounting-related services. Travel and entertainment expenses decreased $0.5 million as sales expenses were controlled more closely. Other administrative expenses decreased $0.7 million.

IMPAIRMENT LOSS

The Company recognized an impairment loss on goodwill of $6.5 million for the year ended December 31, 2015 and $10.6 million for 2014 related to the goodwill in its Xtend Energy Services cash generating unit (CGU), which rents the Company’s Xciter tool, because the recoverable amount of this CGU was less than its carrying amount.

OTHER EXPENSE (INCOME)

The Company recorded other income of $0.3 million during 2015 and other expense of $0.2 million during 2014. Other expense (income) consisted of transactions with LCS, gains and losses from the sale of assets and other miscellaneous income and expenses.

NET FINANCE COST

The Company recorded net finance cost of $3.8 million for the year ended December 31, 2015 as compared with $4.2 million for the year ended December 31, 2014. Interest expense of $2.4 million was flat compared with 2014, whereas foreign exchange losses (primarily related to remeasurement of intercompany loan balances) were lower by $0.5 million in 2015.

INCOME TAXES

Income taxes provided a benefit of $1.2 million at an effective tax rate of 8.6% for 2015, compared with expense of $5.2 million at an effective tax rate of 67.0% in 2014. The change in the effective tax rate was primarily due to the effects of the impairment loss and other non-deductible expenses for tax purposes. The remaining difference in the effective tax rates was due to higher losses being generated by the non-U.S. entities of the Group.

DISCONTINUED OPERATIONS

During the fourth quarter of 2015, the Company committed to a plan to sell substantially all of the assets and operations of its LCS business unit. Accordingly, the assets and liabilities the Company considered to be a part of the disposal group were separately presented as held for sale as at December 31, 2015. LCS was previously classified in the Company’s downhole tool segment. The results of the LCS operations have been classified as discontinued operations for the years ended December 31, 2015 and 2014. Expenses of discontinued operations as presented in the table below include an impairment loss of $8.9 million recorded in the third quarter of 2015 ($5.7 million related to inventory and $3.2 million related to goodwill) and $10.0 million in the fourth quarter of 2015 related to assets held for sale.

	Years ended December 31,	
	2015	2014
Results of discontinued operations:		
Revenue………………………………………………..………………………………………	$ 7,903	$ 23,519
Expenses……………………………………………..………………………………………	32,739	25,797
Loss from operations before income tax expense…………………………………………………	(24,836)	(2,278)
Income tax expense (benefit)……………………………………………………..…………………	(4,427)	85
Net loss from discontinued operations ………………………………………………………….....	(20,409)	(2,363)
Basic and diluted loss per share	$ (0.61)	$ (0.07)

Results of Operating Segments[1]

	Year ended December 31,	
(000's)	2015	2014
Downhole Tool Segment		
Revenue		
Fishing, intervention and consumables[2]	$ 63,265	$ 117,305
Completion products and services[3]	8,514	16,083
	71,779	133,388
Costs of goods sold	46,463	79,310
Administrative expenses	17,046	22,766
Other expense	90	544
Operating earnings	$ 8,180	$ 30,768
Rental Tool Segment		
Revenue	$ 5,916	$ 13,799
Costs of goods sold	6,864	10,691
Administrative expenses	2,922	4,221
Impairment loss	6,535	10,590
Other expense	463	751
Operating loss	$ (10,868)	$ (12,454)
Corporate administrative expenses	$ 8,563	$ 7,352
Corporate other income	(816)	(1,052)
Operating loss	$ (7,747)	$ (6,300)

[1] Excludes Logan Completion Systems - see "Discontinued Operations".

[2] This product line includes Logan Oil Tools and Logan SuperAbrasives.

[3] This product line includes Kline and Scope.

SEGMENTED ENTITY REVIEW FOR YEAR ENDED DECEMBER 31, 2015 COMPARED WITH THE YEAR ENDED DECEMBER 31, 2014

DOWNHOLE TOOL REVENUE

Revenue for the downhole tool segment decreased $61.6 million to $71.8 million for the year ended December 31, 2015 from $133.4 million in the corresponding period in 2014. Revenue from fishing, intervention and consumable products declined $54.0 million, or 46%, and revenues from completion products and services decreased 47%, or $7.6 million.

The largest volume decline was experienced in fishing tools, for which demand is driven by the large oilfield service companies that maintain substantial inventories which they relied upon to satisfy current business needs. Other than certain specific customer wins, the decrease in fishing tools sales covered all geographical areas and products. The capital equipment nature of stroking tools and power swivels was a driving factor in the sales decrease experienced by these products. Hard-faced inserts and bearings experienced a significant percentage decline in revenue due to their reliance on drilling activities, which experienced more dramatic demand declines from the drop in energy prices. The Company estimates that discounts and other product pricing changes had the net effect of decreasing reported downhole tool revenue by more than 5%.

The revenue decrease from completion products and services was also driven by the impact of energy prices, which affected the number of well completions and workovers, particularly in the North American shale plays and Canadian heavy oil fields. Demand for packers, liner hangers and service tools decreased 42% from 2014, but the decrease was less substantial than the seen in the Company's operations focused on heavy oil production, which fell 58% from 2014.

DOWNHOLE TOOL EARNINGS FROM OPERATIONS

Earnings from operations for the downhole tool segment decreased to $8.2 million in 2015 from $30.8 million for the year ended December 31, 2014. The 73% decrease in operating earnings for the downhole tool segment was primarily due to the decrease in revenue in 2015 and the related effects on gross profit. The gross profit margin decreased from 40.5% in 2014 to 35.3% in 2015 due to the lower sales and the increased proportion of fixed costs to total cost of sales. Administrative expenses decreased 25% to $17.0 million primarily due to reductions in personnel costs and travel and entertainment expenses from lower headcount.

RENTAL TOOL REVENUE

Revenue for the rental tool segment decreased from $13.8 million in 2014 to $5.9 million in 2015. Revenue associated with the rental of Xciters and Sup-R-Jar drilling jars decreased 72% from 2014 caused by the slowdown in drilling activity associated with the plunge in energy prices. This decrease more than offset the favorable impact of a 160% increase in fishing jar rentals due to additional penetration into this market.

RENTAL TOOL LOSS FROM OPERATIONS

The operations of the rental tool segment generated a loss of $10.9 million in 2015, compared with a loss of $12.5 million in 2014. The gross profit for the rental tool operations decreased from $3.1 million, or 22.5% of sales, in 2014 to negative gross profit of $0.9 million, or 16.0% of sales, in 2015. The gross profit became negative as sales fell to the point where fixed costs, such as the noncash depreciation of the rental fleet, could no longer be supported by current sales. The extent of the sales decrease also pushed the gross profit margin to a negative percentage. The Company recognized a non-cash impairment loss on goodwill of $6.5 million in 2015 and $10.6 million in 2014 that related to the write-down of the Xtend Energy Services CGU. Administrative expenses decreased 31% primarily due to lower personnel costs in 2015 as a result of headcount reductions and lower incentive compensation.

SUMMARY OF QUARTERLY RESULTS

(000's, except per share amounts)

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2015	2015	2015	2015	2014	2014	2014	2014
Revenue	$ 14,105	$ 18,570	$ 19,656	$ 25,364	$ 33,339	$ 39,930	$ 39,081	$ 34,837
Net earnings (loss)								
Continuing operations	(9,918)	(2,066)	(869)	(87)	(8,043)	4,199	4,278	2,140
Net earnings (loss) for the period	(19,484)	(10,625)	(1,958)	(1,282)	(9,523)	4,074	2,759	2,901
EBITDA *	(419)	1,089	2,300	3,498	6,655	10,292	9,391	7,176
Modified EBITDA *	(132)	1,459	2,690	3,836	6,428	10,764	9,842	7,657
Earnings (loss) per share from continuing operations:								
Basic	$ (0.29)	$ (0.06)	$ (0.03)	$ (0.00)	$ (0.24)	$ 0.13	$ 0.13	$ 0.06
Diluted	$ (0.29)	$ (0.06)	$ (0.03)	$ (0.00)	$ (0.24)	$ 0.12	$ 0.13	$ 0.06
Earnings (loss) per share for the period:								
Basic	$ (0.58)	$ (0.32)	$ (0.06)	$ (0.04)	$ (0.28)	$ 0.12	$ 0.08	$ 0.09
Diluted	$ (0.58)	$ (0.31)	$ (0.06)	$ (0.04)	$ (0.28)	$ 0.12	$ 0.08	$ 0.09
Weighted average number of shares outstanding:								
Basic	33,685	33,594	33,551	33,520	33,479	33,466	33,380	33,329
Diluted	33,685	34,063	33,933	33,928	33,917	34,060	33,810	33,749

* - Non-IFRS financial measure. See "Mangement's Discussion and Analysis - Non-IFRS Measurements".

SIGNIFICANT ITEMS AFFECTING THE COMPARABILITY OF QUARTERLY RESULTS

Seasonality

The Company's Canadian operations are seasonal because the ability to transport oilfield drilling and service equipment is dependent on weather conditions. The Canadian operations are normally strongest in the first quarter when the ground is frozen, enabling field personnel and equipment easy access to project sites, and operations are weakest in the second quarter because, as the ground thaws, access to public roads is restricted by governmental agencies.

In addition to seasonality, the comparability of quarterly results was affected by the following events:

2015

- Each of the quarters of 2015 was characterized by the impact of a significant reduction in the number of oil and gas rigs operating as compared with the same quarters of 2014. The average number of rigs operating in 2015 was roughly half the number operating in the comparable year-earlier quarter.

- During the third quarter of 2015, the Company completed the closure of four operation locations in its LCS CGU and recognized an impairment loss of $8.9 million related to inventory and goodwill. The impairment loss related to Logan Completion Systems is shown in discontinued operations in the consolidated financial statements.

- During the fourth quarter of 2015, the Company recognized an impairment loss on goodwill of $6.5 million in its Xtend Energy Services CGU.

- During the fourth quarter of 2015, the Company recognized an impairment loss of $10.0 million related to the assets and liabilities held for sale in its LCS CGU because the book value of the assets and liabilities exceeded the fair value less costs of disposal. The assets and liabilities are shown as held for sale and the operating results of LCS are shown in discontinued operations in the consolidated financial statements.

2014

- During the fourth quarter of 2014, the Company recognized an impairment loss on goodwill of $10.6 million in its Xtend Energy Services CGU.

- During the first quarter of 2014, the Canadian dollar weakened in comparison with the U.S. dollar. This had the effect of reducing reported sales for the first quarter of 2014 by $0.5 million compared with exchange rates in effect during the fourth quarter of 2013 and $0.9 million compared with exchange rates in effect during the first quarter of 2013. The effect of the change in foreign exchange rates on net earnings for the first quarter of 2014 was not significant compared to the fourth quarter of 2013 and the first quarter of 2013. The currency fluctuations during the last three quarters of 2014 had a lower impact on reported results.

FOURTH QUARTER RESULTS

The Company's revenue from continuing operations declined to $14.1 million in the three months ended December 31, 2015, from $33.3 million in same period in 2014. The decrease was due to the continued softness in industry activity due to depressed energy prices and spanned all product lines and geographic areas.

Gross profit from continuing operations for the three months ended December 31, 2015 was $2.6 million, or 18.4% of revenue, compared with $12.5 million, or 37.5% of revenue, during the corresponding period in 2014. Gross profit decreased as a result of the revenue decline and a noncash year-end inventory adjustment of $1.2 million.

Administrative expenses decreased to $5.7 million for the three months ended December 31, 2015 from $8.6 million for the same period in 2014. The decrease was caused by lower personnel costs due to headcount reductions and by general spending reductions implemented earlier in 2015.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 2015, $2.0 million of cash was used for operating activities, compared with $14.7 million provided by operations in 2014. Cash used for investing activities was $3.9 million in 2015 versus $6.5 million used for investing activities in 2014. Cash provided by financing activities was $4.5 million for 2015 as compared with cash used for financing activities of $7.4 million in 2014. The Company believes that it is generating sufficient cash flow to support its operating plan for 2016, subject to the potential consequences of a breach of a provision contained in the 2015 Amended Credit Agreement (as defined below) or the Company's inability to refinance the borrowings under that agreement on or prior to its maturity. See Capital Structure below.

Operating Cash Flows

The $16.7 million decrease in operating cash flows was due mostly to a $26.0 million decrease in earnings (loss) before taxes and impairment loss during 2015 as compared to 2014. Lower income tax payments of $4.5 million, net of refunds, and less cash used in working capital of $4.5 million partially offset the decrease in operating cash flow resulting from the change in earnings during 2015.

Investing Cash Flows

Cash used for investing activities was $3.9 million in 2015 and consisted of capital expenditures of $4.6 million, net of proceeds of $0.7 million, as compared to capital expenditures of $5.0 million and $2.5 million in deferred acquisition payments, net of sales proceeds of $0.8 million in the comparable 2014 period.

Financing Cash Flows

Cash provided by financing activities for 2015 was $4.5 million and mostly consisted of additional draws on the revolving credit agreement. Payments of $0.4 million on borrowings, payments of $0.5 million on finance lease obligations and transaction costs of $0.5 million provided a partial offset. In the same period of the prior year, the Company reduced borrowings its debt obligations by $7.4 million.

Working Capital

As at December 31, 2015, the Company's working capital decreased by $54.8 million to $43.0 million from $97.8 million as at December 31, 2014 primarily due to the reclassification of $50.4 million of borrowings under the 2015 Amended Credit Agreement (see below) to current liabilities and the classification of the Company's LCS CGU as a disposal group held for sale as at December 31, 2015. The 2015 Amended Credit Agreement matures on December 23, 2016; however, management anticipates that it will replace the current facility with similar borrowing capacity at or before its maturity. The reclassification of the net assets included in the Logan Completion Systems disposal group to current and the impairment to reflect their fair value less costs to sell further reduced working capital $6.7 million. Changes in other components of working capital largely offset one another.

Property, Plant and Equipment

Net property, plant and equipment decreased to $42.4 million as at December 31, 2015 from $50.1 million as at December 31, 2014 and was the net result of depreciation expense of $8.9 million, equipment disposals of $0.6 million, transfers to assets held for sale of $1.6 million, a decrease of $1.7 million related to foreign exchange fluctuations, noncash additions of $0.2 million and capital expenditures of $4.9 million. The current year capital expenditures were, for the most part, the completion of projects that were planned or begun in 2014. The Company has restricted capital expenditures to only critical projects.

Capital Structure

The Company considers all bank and other borrowed debt, finance lease liabilities and shareholders' equity as capital. The Company's objective with the management of its capital is to maximize the profitability of its investments in assets and enhance returns to its shareholders. This objective is achieved by prudent management of the capital provided by operations, by optimizing the use of lower-cost capital and by raising equity capital, when appropriate, to fund growth initiatives and a conservative approach to safeguarding its financial condition.

The use of debt financing is based upon the Company's preferred capital structure, which is determined by considering industry norms, risks associated with its business activities and covenants contained in its bank credit agreement. The Company intends to maintain a flexible capital structure that is consistent with the objectives stated above. In order to maintain or adjust its capital structure, the Company may issue new shares, increase debt or refinance existing debt with different characteristics.

The consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will continue normal operations for the foreseeable future. The Company's 2015 Amended Credit Facility (the "Facility") described in the following section matures on December 23, 2016. The Company is dependent on the availability of credit as provided by Facility.

The Company is considering alternatives which would provide for the refinancing of the borrowings under the Facility.

2015 Amended Credit Amendment

In December 2015, the Company and its wholly owned subsidiary, Logan Holdings, amended its 2014 Amended Credit Agreement (defined below) and entered into an omnibus amended credit agreement (the "2015 Amended Credit Agreement") that provides for U.S.-based revolving credit facility of up to $40 million and a Canadian-based credit facility of up to $20 million. Both credit facilities mature in December 2016. The borrowing base under the credit facilities is defined as 85% of the Company's eligible equipment, 80% of the Company's eligible receivables, 55% of Company's eligible finished goods inventory, and 25% of the Company's remaining eligible inventory.

Borrowings under the Canadian-based revolving credit facility are available in Canadian funds and bear interest at the Canadian prime lending rate plus a defined margin of 3.50% or at the Eurocurrency rate plus a defined margin of 4.50%. Borrowings under the U.S.-based revolving credit facility are available in U.S. funds and, at the Company's election, bear interest at the U.S. base rate plus a defined margin of 3.50% or at the Eurocurrency rate plus a defined margin of 4.50%. The Company is obligated to pay a fee of 0.75% on the unborrowed commitment, which is paid at the end of each quarter and is included in interest expense. The 2015 Amended Credit Facility is collateralized by the assignment of security agreements covering substantially all of the Company's and its subsidiaries' North

American assets. All outstanding borrowings are due under the 2015 Amended Credit Agreement when the facility matures on December 23, 2016. Failure by the Company to comply with certain covenants contained in the 2015 Amended Credit Agreement will constitute an event of default, which could result in the requirement that all outstanding obligations thereunder become immediately payable and, in addition, allow the lenders to foreclose on the assets of the Company and its subsidiaries. Such default and enforcement would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. See "Financial Instruments and Risk Management – Liquidity Risk".

The terms of the 2015 Amended Credit Agreement included a financial covenant of an interest coverage ratio equal to at least 1.25:1, 1.5:1 and 2.0:1 for the quarters ended December 31, 2015, March 31, 2016 and June 30, 2016 (and thereafter), respectively. The interest coverage ratio measures the Company's earnings before interest, tax, depreciation and amortization, other non-cash items and certain acquisition costs ("EBITDA") to its interest expense. Despite reporting a negative Modified EBITDA in the fourth quarter, the Company was in compliance with the financial covenants as at and for the period ended December 31, 2015. The definition of EBITDA contained in the credit agreement allows for the addback of certain noncash charges in determining "EBITDA". Accordingly, the Company's reported EBITDA for covenant compliance purposes included a one-time non-cash inventory adjustment of approximately $1.2 million.

As at December 31, 2015, the borrowings under the Canadian-based and U.S. based revolving credit facilities were $15.5 million and $35.6 million, respectively. In addition, there were outstanding letters of credit of $35 thousand under the U.S.-based revolving credit facility. Giving effect to the borrowing-base limitations in the 2015 Amended Credit Agreement as described above, borrowing availability as at December 31, 2015 was $4.4 million and $3.3 million under the Canadian-based credit facility and the U.S. based credit facility, respectively.

2014 Amended Credit Agreement

In December 2014, the Company and its wholly owned subsidiary, Logan Holdings, entered into an amended and restated credit agreement (the "2014 Amended Credit Agreement") that provided for a $75 million U.S.-based revolving credit facility and a $40 million Canadian-based credit facility with several banks. Subject to the terms of the Amended Credit Agreement, the Company has the ability to increase the commitment by an additional $30 million. The 2014 Amended Credit Facility was scheduled to mature in December 2016.

Borrowings under the Canadian-based revolving credit facility were available in Canadian funds and bear interest at the Canadian prime lending rate plus defined margins of 1.0% to 2.0% based on the Company's financial leverage. Borrowings under the U.S.-based revolving credit facility were available in U.S. funds and, at the Company's election, bear interest at the U.S. base rate plus defined margins of 1.0% to 2.0%, or at the Eurocurrency rate plus defined margins of 2.0% to 3.0%, based on the Company's financial leverage. The Company was obligated to pay a fee between 0.375% and 0.5% (depending on the Company's financial leverage) of the unborrowed commitment, which was paid at the end of each quarter and is included in interest expense. The 2014 Amended Credit Facility was collateralized by the assignment of security agreements covering substantially all of the Company's and its subsidiaries' North American assets.

The terms of the 2014 Amended Credit Agreement included the following financial covenants: (i) maintenance of a financial leverage ratio, which measures the Company's total borrowed debt to its EBITDA, no greater than 3.00:1; (ii) maintenance of an interest coverage ratio of at least 3.00:1, which measures the Company's EBITDA to its interest expense; and (iii) maintenance of an asset coverage ratio of at least 1.33:1, which measures the sum of certain Company assets to its total borrowed debt. The 2014 Amended Credit Agreement was amended by the 2015 Amended Credit Agreement in December 2015.

COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's contractual obligations as at December 31, 2015:

December 31, 2015	Carrying amount	Contractual cash flows	Less than one year	One to two years	Three to five years	More than five years
Secured bank loans……………………………	$ 50,583	$ 51,069	$ 51,069	$ -	$ -	$ -
Finance lease liabilities………………………	612	1,041	695	258	88	-
Trade payables and accrued expenses………	6,937	6,937	6,937	-	-	-
Income tax payable…………….………..……	342	342	342	-	-	-
Total…………………………………………	$ 58,474	$ 59,389	$ 59,043	$ 258	$ 88	$ -

The Company is from time to time a party to lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damages, punitive damages, civil penalties, or injunctive or declaratory relief. The Company records reserves for claims when it is probable that a liability has been incurred and the amount of the ultimate loss can be reasonably estimated. None of these proceedings, separately or in the aggregate, are expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. The Company maintains insurance coverage considered appropriate by management for matters for which insurance coverage can be maintained.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased to $150.6 million as at December 31, 2015 from $188.6 million as at December 31, 2014 and was primarily attributable to 2015 comprehensive loss of $39.0 million, partially offset by share-based compensation expense of $1.0 million.

As at March 30, 2016, the number of issued and outstanding common shares was 33,685,386, and there were 1,689,693 options outstanding to purchase common shares of the Company with exercise prices ranging from $2.75 to $7.13 (CDN) and 298,958 unvested restricted share units.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2015, the Company is not a party to any off-balance sheet arrangements other than operating leases for certain warehouses, office facilities and equipment having terms of three to fifteen years and, in certain leases, renewal options.

RELATED PARTY TRANSACTIONS

In June 2014, the Company and a member of the Company's Board of Directors entered into a retention agreement (the "Retention Agreement"). Among other things, the Retention Agreement provided for an annual retainer fee of $55,000. In addition to serving on the Board of Directors, the board member was obligated to provide certain management services.

The Company recorded $0.8 million in sales during the year ended December 31, 2015 and $3.3 million during the year ended December 31, 2014 to an entity controlled by a significant shareholder of the Company. In addition, the Company was owed $0.2 million and $0.5 million as at December 31, 2015 and December 31, 2014, respectively, related to these sales. The terms for these sales were similar to those charged to other customers. No other ongoing commitments resulted from these transactions.

BUSINESS RISKS

The Company is subject to the risks inherent in the oilfield services industry. Customer demand for the Company's products and services depends on the exploration, development and production activities of energy companies, which are, in turn, affected by oil and natural gas prices, weather, legislation, exchange rates, the health of domestic and world economies, fuel surpluses or shortages, substitution of alternative energy sources, changes in taxation or regulatory regimes and international political risks such as war, civil unrest, nationalization and expropriation or confiscation. Oil prices are influenced by global supply and demand and by the supply management practices of the Organization of the Petroleum Exporting Countries ("OPEC"), and natural gas prices are influenced by North American supply and demand and, to a lesser extent, by the price of competing fuels. Management mitigates competitive risks by focusing its efforts in areas where the Company has technical and operational advantages and by employing highly competent professional staff. Environmental standards and regulations are becoming more stringent in the industry, particularly affecting the Company's completion services. Business risks are also mitigated by establishing strategic alliances with reputable partners, developing new technologies and methodologies, as well as investigating new business opportunities. Failure of the Company's products could result in a customer claim or could harm the Company's reputation.

OUTLOOK

Forward looking information:

In prior reports this year, we noted that the state of the industry has taken on a progressively pessimistic tone throughout the year, as commodity prices and rig activity have methodically and markedly declined. The New Year did not begin with any brighter news – both rig counts and 2016 exploration and production capital expenditure budgets declined from year end. More recently, there has been a slightly more optimistic shift in the industry as oil producers have openly discussed potential production limits. However, we are not expecting a meaningful rebound this year.

As stated earlier, 2015 was an extremely difficult and challenging year. Revenues continued to weaken throughout the year, trying to find a bottom. Revenues from continuing operations decreased to $77.7 million in 2015 from $147.2 million in 2014, or by 47%. Each of our businesses was affected. Logan Oil Tools, which is our strongest performer, recorded sales of $60.2 million in 2015 as compared with $109.6 million in 2014. Our rental business, which rents drilling and intervention tools to drilling contractors and service companies, reported revenue of $5.9 million in 2015 as compared to $13.8 million in 2014. Both of these businesses reported positive operating results (as measured by Modified EBITDA) in 2015. Our other businesses were unable to report positive operating results due to the collapse in energy prices. Our gross profit margin declined to 31% in 2015 from 39% in 2014 due mostly to the decline in sales as we were unable to fully absorb all of our fixed costs. To a lesser extent, pricing pressure also affected our profit margins. Despite the depressed level of industry activity, we were able to report positive Modified EBITDA from continuing operations for 2015 due in part to the cost containment initiatives we implemented throughout the year, including the closing of several underperforming locations.

During the second half of the year, we amended our loan agreement with our bank group. Among other things, the amendment reduced the total commitment to $60 million from $115 million, revised the financial covenants, and subjected outstanding borrowings to a borrowing base, which is calculated based on defined advance rates on specific classes of assets. In the fourth quarter, we initiated a process to sell Logan Completion Systems Inc. Accordingly; we have reclassified the related assets and liabilities as held for sale in the balance sheet and the results of operations as discontinued operations in our year-end financial statements.

Unfortunately, the start to 2016 has not provided much relief. In fact, 2016 began as 2015 left off; commodity prices and rig counts have continued their downward trends. Recently, we have seen a slight strengthening in commodity prices; however, we have not yet felt the effects in our order book. Furthermore, we do not anticipate a significant uptick as recently announced exploration and production capital budgets are materially less than last year's. In 2016, we will continue to challenge our cost structure and adjust accordingly. In addition, we hope to sell LCS in 2016 and will pursue the disposition of other assets that do not contribute to profitability. Finally, we have begun the process to replace the current credit facility, which matures in December 2016.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting ("ICFR") as defined under National Instrument 52-109. As at December 31, 2014, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") together with the Company's management have evaluated the design of the disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Reports ("NI 52-109"), adopted by the Canadian Securities Administrators) to provide reasonable assurance that: (i) material information relating to the Company is made known to them by others within those entities, particularly during the period in which the annual and interim filings are being prepared; and (ii) material information required to be disclosed in the annual and interim filings is recorded, processed, summarized and reported on a timely basis. In conformance with NI 52-109, the Company has filed certificates signed by the CEO and the CFO that deal with matters of disclosure controls and procedures and which certify that the CEO and CFO have concluded that the design and operating effectiveness of these disclosure controls and procedures provides reasonable assurance that material information required to be disclosed by the Company in reports filed with Canadian securities regulators is accurate and complete and filed within the periods required.

Internal Controls over Financial Reporting

The CEO and CFO are responsible for designing internal control procedures over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. The Company has designed internal controls over financial reporting based on the framework established in *Internal Control – Integrated Framework* released by the Committee of Sponsoring Organizations of the Treadway Commission in May 2013 (the 2013 COSO Framework). No change to the Company's ICFR has occurred during the three month period ended December 31, 2015. An evaluation of the design and effectiveness of the Company's internal controls was carried out as at December 31, 2015, which provided the basis for the CEO and the CFO to conclude that the design and operating effectiveness of the Company's internal controls over financial reporting was effective at December 31, 2015. Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires the use of certain critical accounting judgments, estimates, and assumptions. The carrying amount of assets, liabilities, accruals, and other financial obligations, as well as the determination of fair values, contingent liabilities, reported income and expense in these consolidated financial statements depends on the use of these judgments, estimates and assumptions. In the process of applying the Company's accounting policies, management takes into consideration existing circumstances and estimates at the date of the consolidated financial statements, which affects the reported amounts of income and expenses during the reporting periods. Given the uncertainty inherent in estimating these factors, 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. There have not been any significant changes to the Company's accounting policies since the issuance of the Company's most recent Consolidated Annual Financial Statements.

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements, as well as having an effect on both of the Company's reportable segments:

Cash generating units

In performing impairment assessments of long-lived assets, assets that cannot be assessed individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Judgment is required in identifying these cash generating units and they are based on how financial information is gathered and organized for review internally by management. The cash generating units that were identified by management were disclosed in the Company's most recent Consolidated Annual Financial Statements.

Deferred income taxes

The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules in jurisdictions where the Company performs activities. Application of judgments is required regarding classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings to the tax authorities.

Business acquisitions

Business acquisitions are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets and liabilities are recognized based on the contractual terms, economic conditions, the Company's operating and accounting policies, and other factors existing as at the acquisition date.

Discontinued Operations

Classification of a disposal group's assets and liabilities as held for sale occurs when certain criteria are met. Classification of operating results as discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Determining when the held for sale criteria are met, which operations relate to the disposal group and fair value of the disposal group less costs of disposal require judgment on a case by case basis. If the disposal group meets the held for sale criteria, all assets and liabilities of the classified as current at fair value less costs of disposal and the operating results of the disposal group are excluded from earnings and cash flows from continuing operations.

The following are key estimates and assumptions made by management affecting the measurement of balances and transactions in the consolidated financial statements, as well as having an effect on both of the Company's reportable segments:

Recoverability of indefinite-lived intangible assets

The Company assesses the carrying values of goodwill and other indefinite-lived intangible assets annually, or more frequently if warranted by a change in circumstances. If it is determined that the carrying value of an indefinite-lived intangible asset or goodwill cannot be recovered, the unrecoverable amounts are charged against current earnings. Recoverability is dependent upon assumptions and estimates regarding future sales, costs of production, sustaining capital requirements and tax rates. A material change in assumptions may significantly impact the potential impairment of these assets. In addition, assumptions used in the calculation of recoverable amounts are discount rates, future cash flows and profit margins.

Valuation of assets and liabilities acquired in a business combination

Acquired assets, assumed liabilities (other than deferred taxes) and contingent consideration are recognized at fair value on the date the Company effectively obtains control. The measurement of each business combination is based on the information available on the acquisition date. The determination 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 largely based on projected cash flows, discount rates and market conditions existing at the date of acquisition.

Debt covenant compliance forecasting

In its assessment of whether the Company will continue operating as a going concern, management estimates future cash flows to determine if a breach of a covenant contained in the Company's 2015 Amended Credit Agreement is likely to occur. Future cash flows are estimated based on the expected market conditions, historical information and changes from contemplated business acquisitions or disposals. A material change in assumptions may significantly impact the results of this estimate.

RECENT ACCOUNTING PRONOUNCEMENTS

Amended and New Accounting Standards Adopted in this Report

No amendments to existing standards or new accounting standards have been adopted by the Company since December 31, 2014.

A number of new standards and amendments to standards are not yet effective for the year ended December 31, 2015 and have not been applied in preparing these consolidated financial statements. These new standards include:

IFRS 9

In November 2009, IFRS 9 "Financial Instruments" was published covering the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and a single impairment method replacing the multiple rules in IAS 39. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. The new requirements are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The adoption of IFRS 9 is not expected to have an impact on the Company's consolidated financial statements.

IFRS 15

In May 2014, the International Accounting Standards Board issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 16

In January 2016, the International Accounting Standards Board issued IFRS 16, "Leases" ("IFRS 16"). The new standard eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and may be applied either retrospectively or by recognizing the cumulative effect of IFRS 16 in the year of adoption. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit Risk

Credit risk refers to the risk of loss that a counter party will fail to meet its contractual obligations. Credit risk arises from the Company's trade receivables balances, which are owed by entities in the energy exploration and production industry or by companies that provide services to this industry. The Company assesses the credit-worthiness of its customers, as well as monitors the age and balances outstanding on an ongoing basis. Payment terms with most customers are 30 days from invoice date, however industry practice can extend these terms. As at and for the years ended December 31, 2015 and December 31, 2014, no customer accounted for more than 10% of the Company's total revenues from continuing operations. One customer accounted for 10.8% of the Company's total trade receivables. Approximately $7.6 million of trade receivables as at December 31, 2015 and $7.0 million as at December 31, 2014 were more than 90 days past due and the Company has recorded an allowance for doubtful accounts of $345 thousand and $307 thousand as at December 31, 2015 and 2014, respectively. The Company sells and delivers tools and products to remote international locations. Since customers defer payment until the product is received, international accounts are seldom settled within normal domestic payment periods. Historically, the Company has not recorded material losses of accounts receivable because the majority of its sales are to large, financially strong, international companies.

Impairment losses arise when trade receivables are written off directly against the financial asset, which results from customers who cannot pay their outstanding balance. The Group establishes, on a specific account basis, an allowance for impairment loss that represents its estimate of potential losses in respect of trade receivables.

Interest Rate Risk

Since the Company's credit borrowings bear interest at a floating rate, the Company is exposed to changes in interest rates. The Company prepared a sensitivity analysis and determined that a change of 1% in the interest rate would result in a change in net income of approximately $360 thousand for the year ended December 31, 2015 and $345 thousand for the year ended December 31, 2014.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages this risk through its budgeting and monitoring process to ensure it has sufficient cash and credit facilities to meet its obligations. The Company's 2015 Amended Credit Agreement matures in December 2016. The Company is dependent on the availability of credit as provided by the Facility.

The inability of the Company to refinance the outstanding borrowings prior to December 2016 would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Any disruption in the Company's liquidity, including the potential consequences of future breaches under the 2015 Amended Credit Agreement or the Company's inability to replace or refinance the 2015 Amended Credit Agreement upon maturity, gives rise to a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company is considering alternatives which would provide for the refinancing of the borrowings under the Facility.

Foreign Currency Risk

The Company's Canadian operations purchase certain products in U.S. dollars. As a result, fluctuations in the value of the Canadian dollar relative to the U.S. dollar can result in foreign exchange gains and losses. The Company does not currently have any agreements to fix or hedge the exchange rate of the Canadian dollar to the U.S. dollar, as the amounts exposed to foreign currency fluctuations are primarily intercompany loans between subsidiaries of the Company.

MANAGEMENT CHANGES

At the Annual General Meeting in 2015, the shareholders elected David MacNeill and Jamie Biluk as directors of the Company.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Annual Information Form of the Company, may be found on the Company's SEDAR profile at www.sedar.com.

CORPORATE INFORMATION

Directors

Paul McDermott, Chairman
Director and Managing Partner, Cadent Energy Partners, LLC
Houston, Texas

David Barr
Director and Independent Businessman
Houston, Texas

Jamie Biluk
Director and Independent Businessman
Calgary, Alberta

Ian Bruce
Director and Independent Businessman
Calgary, Alberta

David Coppé
Director and Chief Executive Officer, Probe Holdings, Inc.
Ft. Worth, Texas

David Kennedy
Director and Independent Businessman
Bluffton, South Carolina

David MacNeill
Director, President and Chief Executive Officer of the Company
Houston, Texas

Officers

David MacNeill
President and Chief Executive Officer

Lawrence Keister
Vice President, Chief Financial Officer and
Corporate Secretary

Lori Robertson
Vice President – Human Resources

Michael Rhoden
Chief Accounting Officer

Corporate Headquarters

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Bankers

Wells Fargo, N.A.
Houston, Texas

HSBC
Calgary, Alberta

Legal Counsel

Norton Rose Fulbright Canada LLP
Calgary, Alberta

Squire Patton Boggs LLP
New York, New York

Registrar and Transfer Agent

Inquiries regarding change of address, registered shareholdings, stock transfers or lost certificates should be directed to:

Computershare
600, 530 – 8th Avenue SW, 6th Floor
Calgary, Alberta T2P 3S8
Attention: Stock Transfer Department
Telephone (800) 564-6253

Stock Exchange Listing

Toronto Stock Exchange
Symbol: LII

Investor Contact

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