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MD&A AND FINANCIAL REPORT 19

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

EXPLANATORY NOTES

The following Management's Discussion and Analysis of Financial Results ("MD&A"), dated March 5, 2020, should be read in conjunction with the cautionary statement regarding forward-looking information and statements below, as well as the audited consolidated financial statements and notes thereto, for the years ended December 31, 2019 and 2018. The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts in the following MD&A are in Canadian dollars unless otherwise stated. References to "McCoy," "McCoy Global," "the Corporation," "we," "us" or "our" mean McCoy Global Inc. and its subsidiaries, unless the context otherwise requires. Additional information relating to McCoy Global, including periodic quarterly and annual reports and Annual Information Forms ("AIF"), filed with Canadian securities regulatory authorities, is available on SEDAR at sedar.com and our website at mccoyglobal.com.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "objective", "ongoing", "believe", "will", "may", "projected", "plan", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well-positioned" or similar words suggesting future outcomes. In particular, this MD&A contains:

Forward-looking statements relating to McCoy Global's:

- business strategy;
- future development and organic growth prospects;
- impact of re-structuring plans and cost structure;
- competitive advantages; and
- merger and acquisition strategy.

Forward-looking statements respecting:

- the business opportunities for the Corporation that are based on the views of management of the Corporation and current and anticipated market conditions; and
- the perceived benefits of the growth and operating strategies of the Corporation; which are based upon the financial and operating attributes of the Corporation as at the date hereof, as well as the anticipated operating and financial results.

Other forward-looking statements regarding the Corporation are located in the documents incorporated by reference in this MD&A and are based on certain key expectations and assumptions of the Corporation concerning anticipated financial performance, business prospects, strategies, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, which are subject to change based on market conditions and potential timing delays. Although management of the Corporation considers these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in the forward-looking statements, including those set out below and those detailed elsewhere in this MD&A:

- oil and natural gas price fluctuations;
- domestic and foreign competition;
- technology;
- replacement or reduced use of products and services;
- international operations and international trade relations;
- global health crisis;
- ability to effectively manage growth;
- business mergers and acquisitions;
- insurance sufficiency, availability and rate risk;
- supply chain;
- reliance on key persons workforce availability;
- legal compliance;
- litigation;
- breach of confidentiality;
- safety performance;
- foreign exchange;
- availability of financing;
- raising equity through the issuance of shares;
- shareholder activism;
- customers' inability to obtain credit/financing;
- material differences between actual results and management estimates and assumptions;
- impact of the United States-Mexico-Canada Agreement;
- Greenhouse Gas ("GHG") regulations;
- change in U.S. administration;
- conservation measures and technological advances;
- terrorist attack or armed conflict;
- sufficiency of internal controls;
- information security; and
- challenges by taxation authorities.

Readers are cautioned that the foregoing list is not exhaustive.

The reader is further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These judgments and estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

The information contained in this MD&A, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Corporation. We urge you to carefully consider those factors.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Corporation does not undertake and is not obligated to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

DESCRIPTION OF NON-GAAP MEASURES

Throughout this MD&A, management uses measures which do not have a standardized meaning as prescribed by IFRS and therefore are considered to be non-GAAP measures presented under IFRS.

EBITDA is non-GAAP measure defined as net earnings (loss), before:

- depreciation of property, plant and equipment;
- amortization of intangible assets;
- income tax expense (recovery); and
- finance charges, net.

Adjusted EBITDA is a non-GAAP measure defined as net (loss) earnings, before:

- depreciation of property, plant and equipment;
- amortization of intangible assets;
- income tax expense (recovery);
- finance charges, net;
- provisions for (recovery of) excess and obsolete inventory;
- other losses (gains), net;
- restructuring charges;
- share-based compensation; and
- impairment losses.

The Corporation reports on EBITDA and adjusted EBITDA because they are important measures used by management to evaluate performance. The Corporation believes adjusted EBITDA assists investors in assessing McCoy Global's current operating performance on a consistent basis without regard to non-cash, unusual (i.e. infrequent and not considered part of ongoing operations), or non-recurring items that can vary significantly depending on accounting methods or non-operating factors.

Adjusted EBITDA is not considered an alternative to net earnings or loss in measuring McCoy Global's performance. Adjusted EBITDA does not have a standardized meaning and is therefore not likely to be comparable to similar measures used by other issuers. Adjusted EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

OUTLOOK AND FORWARD-LOOKING INFORMATION

KEY DIGITAL TECHNOLOGY DEVELOPMENT, STRATEGIC TECHNOLOGY ACQUISITION AND STRONG OPERATIONAL PERFORMANCE

Continued fiscal discipline and working capital efficiency

Despite the challenging market conditions experienced throughout 2019, McCoy Global's strong operational performance resulted in $0.2 million of annual earnings and annual Adjusted EBITDA of $4.4 million, or 8% of revenue, an improvement of 8 percentage points year over year. Our disciplined execution of increasing working capital efficiency was also evident, driving $6.9 million of cashflow from operating activities for 2019.

In the fourth quarter of 2019, despite a 12% decline in revenue from the comparative period, operational efficiencies and favorable product mix improved Adjusted EBITDA to $1.5 million, or 13% of revenue, an improvement of 7 percentage points from the comparative period. Revenue was negatively impacted by a decline in order intake as a result of the challenging North America land market and timing of international orders received.

Continued improvements in international and offshore markets drove $14.5 million in orders for the fourth quarter of 2019, with strong order intake and quoting activity continuing into early 2020. As at December 31, 2019 the Corporation reported backlog of $12.2 million, which will positively position McCoy for the first half of 2020.

Declining activity levels in the US land market were persistent throughout 2019 and the negative impact on capital spending by customers in this region continues. We anticipate drilling activity in the US land market will continue to be challenged throughout 2020.

International and offshore markets, however, highlight an area of opportunity for McCoy as this sector continues its gradual recovery. McCoy's engineering capabilities and technology offerings position the Corporation to partner with a diverse range of customers as a solutions provider to address complex challenges and drive new revenue opportunities.

Products introduced under McCoy's Digital Technology Roadmap, including the addition of the DrawWorks' product portfolio, will be key to generating incremental revenue in this uncertain market environment as the industry moves towards a focus on data driven solutions to increase efficiency, reduce labor costs and improve safety.

While the strong order intake experienced late in 2019, and through early 2020, will provide visibility for the first half of 2020, recent global developments illustrate the volatile nature of commodity prices and the uncertain market environment that lies ahead. As such, we continue to manage our business with prudence and look for opportunities to drive efficiencies where possible. Late in the fourth quarter of 2019, further cost reductions were implemented and we expect this to result in US$1.0 million of annualized cost savings. The full impact of these measures will begin to be reflected in the first quarter of 2020.

Despite the uncertain market outlook, McCoy remains focused on developing and commercializing new data driven solutions for our customers, driving profitability and managing working capital to improve cash flow and return on capital.

Purchase and successful integration of DrawWorks LP

In the fourth quarter of 2019, McCoy completed a critical advancement of its strategic technology initiatives with the acquisition of DrawWorks LP ("DrawWorks"). DrawWorks' team of skilled engineers have developed innovative technology offerings which are complementary to McCoy, one of which is the recently developed DWCRT™, a modular mechanically operated casing running tool. This acquisition is an integral component for our Digital Technology Roadmap, and will enables us to deliver enhanced solutions to our customers through the integration of our data-driven technology platform with DrawWorks' technology offerings. Early in 2020, we have begun to unlock DrawWorks' depth of design expertise on new products and technical packages to further advance our technology offerings in future.

McCoy is leveraging its strong global footprint to enable DrawWorks' products to reach new customers and markets under our globally recognized, and respected McCoy brand. Commitments for the purchase on 3 units were received

in the fourth quarter. Shortly following close, the production of DrawWorks' technologies has been fully integrated into McCoy's existing production footprint, while DrawWorks' customer base is being supported through McCoy's global technical sales and service team.

Focused development of digital technologies

Now more than ever, the increased emphasis on capital discipline from our customers is driving the need for increased efficiency through innovative technologies. McCoy is committed to addressing our customers' most challenging needs through investments in data driven technologies under its 'Digital Technology Roadmap' initiative. In 2019, McCoy invested $1.9 million to develop a cloud-based platform and digital infrastructure to enable future digital product offerings and enhancements. We have since introduced the first two digital products under the initiative:

A remote support service that enables real-time connection makeup evaluation support for Tubular Running Service customers

An applied calibration machine learning technology for McCoy's Tubular Make-Up equipment servicing requirements

Both products are quickly gaining traction with our customers and we have received positive feedback on the product offerings' ability to deliver reliable data and drive efficiencies. Since its initial launch in the fourth quarter of 2019, our customers have used Virtual Threadrep™ to monitor make-up on 1000's of connections.

In 2020, McCoy has allocated US$2.7 million to further advance the 'Digital Technology Roadmap' initiative through the development of a digitally integrated casing running package built on in-depth engineering expertise and customer-focus. Under the initiative, McCoy plans to introduce additional technologies during the fourth quarter of 2020.

In December of 2019, McCoy announced the appoint of Mr. William "John" Walker to its Board of Directors. As McCoy Global continues to advance its Digital Technology Roadmap, Mr. Walker's addition to the Board of Directors will strengthen our depth of industry knowledge and customer-centric focus. Mr. Walker provides extensive industry experience and expertise in key areas such as tubular running services, drilling solutions and digital transformation services. We expect his involvement and input to enhance McCoy's technology focus and specifically generate advances for our technology and service offerings on a global basis.

In summary, in the year ahead, we will be focused on:

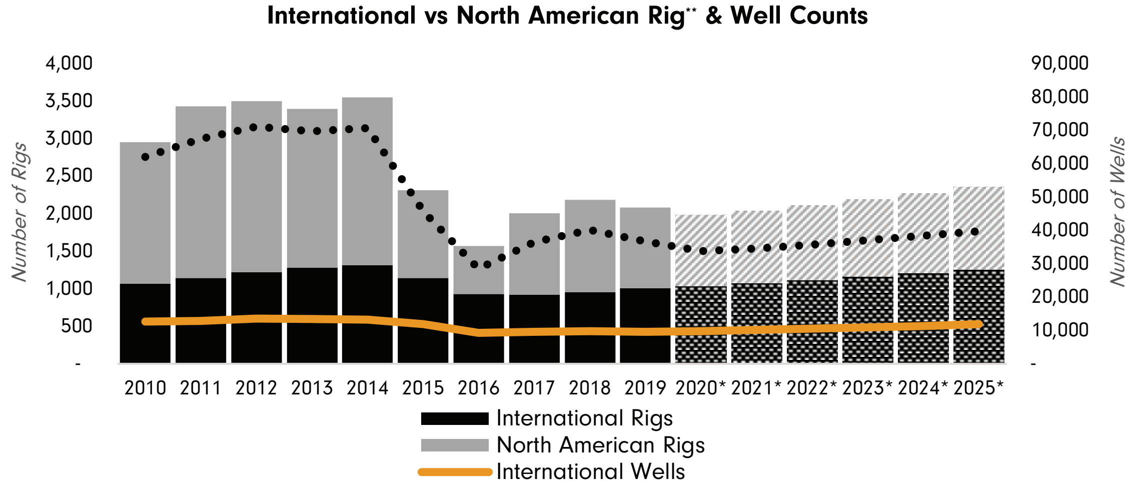
- Successfully executing digital technology development plans that will define our future,
- Growing market penetration of new and recently developed products in our portfolio, and
- Generating cashflow from operations through fiscal disciple and continued working capital efficiency to invest in our technology development initiatives and key rental opportunities.

We believe this strategy, together with our depth of engineering expertise, intimate customer knowledge and global footprint, complete portfolio of casing running products, and large installed base, will further advance the McCoy's competitive position, regardless of the market environment.

MARKET CONDITIONS

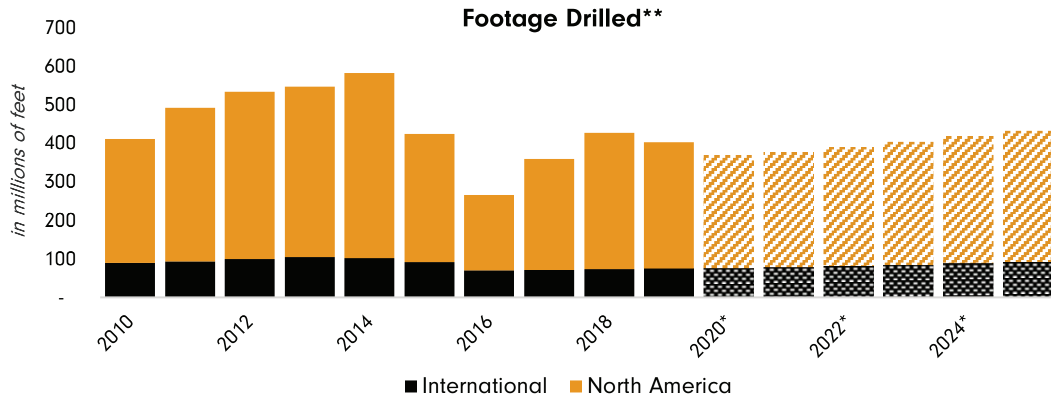
Management uses active rig counts as well as number and length of wells being drilled as data points to monitor and set expectations of the future performance of the Corporation. Generally, these metrics are leading indicators of demand for McCoy Global's products and services, although there are many factors that may impact any correlation.

A summary of historical and forecasted rig and well counts, which includes both land and offshore, obtained from Spears & Associates Drilling and Production Outlook, December 2019, is as follows:



*Forecasted
**Cumulative

A summary of historical and forecasted footage drilled, which includes both land and offshore, obtained from Spears & Associates Drilling and Production Outlook, December 2019, is as follows:



*Forecasted
**Cumulative

The demand for McCoy Global's products and services is related to drilling activity levels and customers' capital and operating budgets, which in turn are influenced by oil and natural gas prices and expectations as to future price trends. The availability of existing capital equipment adequate to serve drilling activity requirements, or lack thereof, further drives demand levels for McCoy's capital equipment products.

Industry fundamentals strengthened through much of 2018, giving rise to higher drilling activity and to some degree, customer spending primarily in North America. However, in the fourth quarter of 2018, oil prices declined sharply which led to increased uncertainty surrounding our customers' 2019 capital budgets, and customers generally taking a more conservative approach to capital outlays.

In the North American land market, competition, cash constraints, pricing pressure and declines in market activity have continued to influence customer decisions on well-construction equipment purchases throughout 2019. This trend is expected to continue through 2020 McCoy continues to respond to this challenging market environment by investing in data driven technologies to improve efficiency for its customers.

International and offshore markets have continued their gradual recovery and customers have begun to re-invest in equipment to meet demand and look to new technologies to drive efficiency and improve safety. McCoy continues to have a strong product presence in the offshore and international markets. McCoy also remains in a strong position to take advantage of growth due to its depth of engineering expertise and large, global installed base of technologies including land and offshore applications.

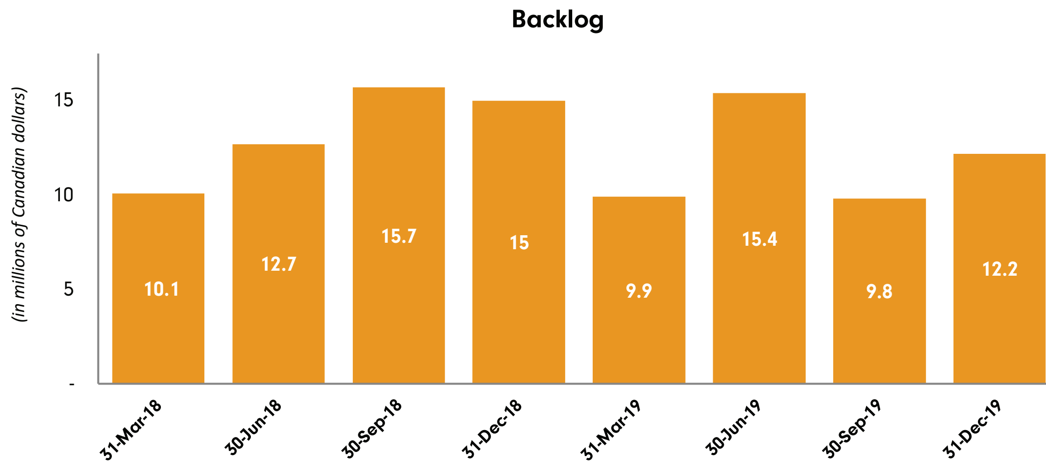
In 2020, McCoy anticipates that higher international and offshore activity levels and growing market share for certain of McCoy's products and services will continue to partially offset the continuing effects of capital austerity in the North American land marketplace. While McCoy's current order backlog provides visibility for the first half of 2020, recent global developments illustrate the volatile nature of commodity prices and the uncertain market environment that lies ahead.

Backlog

Backlog is a measure of the amount of customer orders the Corporation has received and is therefore an indicator of a base level of future revenue potential. Backlog is not a GAAP measure and, as a result, the definition and determination of backlog will vary among other issuers reporting a backlog figure.

The Corporation defines backlog as orders that have a high certainty of being delivered and is measured on the basis of a firm customer commitment, such as the receipt of a purchase order. Customers may default on or cancel such commitments, however may be secured by a deposit and/or require reimbursement by the customer upon default or cancellation. Backlog reflects likely future revenues; however, cancellations or reductions may occur and there can be no assurance that backlog amounts will ultimately be realized as revenue, or that the Corporation will earn a profit on backlog once fulfilled. Expected delivery dates for orders recorded in backlog historically spanned from one to six months.

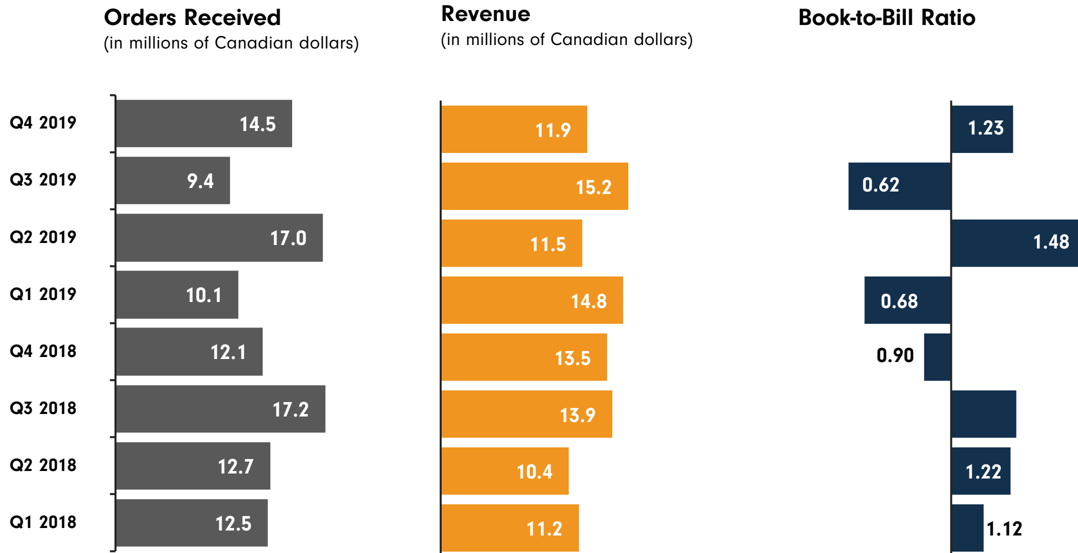
McCoy Global's backlog as at December 31, 2019 totaled $12.2 million (Q3 2019 - $9.8 million), an increase of $2.4 million or 24% from September 30, 2019.



Book-to-Bill Ratio

The book-to-bill ratio is a measure of the amount of net sales orders received to revenues recognized. The ratio is an indicator of customer demand and sales order processing times. The book-to-bill ratio is not a GAAP measure and therefore the definition and calculation of the ratio will vary among other issuers reporting the book-to-bill ratio. McCoy Global calculates the book-to-bill ratio as net sales orders taken in the reporting period divided by the revenues reported for the same reporting period.

Set out below are orders received, revenue and the book-to-bill ratio:



Orders received are those orders in a period which have been included in backlog. Orders received are typically booked in $USD. For each reporting period, orders received are converted to $CAD at an average foreign exchange rate for the period. As a result, orders received can fluctuate from one reporting period to another because of foreign exchange volatility.

STRATEGY AND CORE BUSINESS VISION

MCCOY GLOBAL'S VISION IS TO BE RECOGNIZED AS THE TRUSTED PARTNER DELIVERING SMART SOLUTIONS FOR RUGGED APPLICATIONS

McCoy Global Inc. is incorporated and domiciled in Canada and is a leading provider of technologies designed to support wellbore integrity and assist with collecting critical data for the global energy industry. McCoy Global's core products are used predominantly during the well construction phase for both land and offshore wells during both oil and gas exploration and development.

The Corporation is engaged in the following:

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

Set out below are McCoy Global's principal operations:

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

MCCOY GLOBAL

FINANCIAL RESULTS

SUMMARY OF CONSOLIDATED FOURTH QUARTER RESULTS

For the three months ended December 31 ($000 except per share amounts)	**2019**	2018
Revenue	**11,875**	13,543
Net earnings	**61**	931
Per common share – basic	**-**	0.03
Per common share – diluted	**-**	0.03
Adjusted EBITDA	**1,487**	776
Per common share – basic	**0.05**	0.03
Per common share – diluted	**0.05**	0.03

EBITDA and adjusted EBITDA are calculated as follows:

For the three months ended December 31 ($000)	**2019**	2018
Net earnings	**61**	931
Depreciation of property, plant and equipment	**723**	378
Amortization of intangible assets	**150**	146
Income tax expense (recovery)	**-**	(43)
Finance charges, net	**242**	101
EBITDA	**1,176**	1,513
Provisions for (recovery of) excess and obsolete inventory	**288**	(707)
Other (gains), net	**(12)**	(239)
Share-based compensation	**35**	144
Restructuring charges	**-**	65
Adjusted EBITDA	**1,487**	776

Net earnings, EBITDA and Adjusted EBITDA were impacted by the adoption of IFRS 16 which replaced operating expenses with depreciation of right-of-use-assets and finance charges on lease liabilities. During the three months ended December 31, 2019, the Corporation recognized $0.3 million in depreciation of right-of-use-assets and $0.1 million finance charges on lease liabilities. For the three months ended December 31, 2019, the adoption of IFRS 16 resulted in a $0.2 million increase in EBITDA and Adjusted EBITDA. For the three months ended December 31, 2019, principal portions of lease payments of $0.3 million were recorded as financing activities on the statements of cash flows. The Corporation has not restated comparatives for 2018 as permitted by the transitional provisions of IFRS 16.

REVENUE

($000 except percentages)	For the three months ended December 31			
	2019	2018	Change	% Change
Revenue	**11,875**	13,543	(1,668)	(12%)

Revenue for the three months ended December 31, 2019 was impacted by the decline in order intake experienced in the third quarter as a result of challenged North American activity levels and the timing of international orders received. Capital equipment revenues from international and offshore markets tend to be more project-driven and often require higher technical specifications, and as a result the timing of revenue recognition is more sensitive to the timing of order placement.

GROSS PROFIT

($000 except percentages)	For the three months ended December 31			
	2019	2018	Change	% Change
Gross profit (loss)	**3,943**	4,192	(249)	(6%)
Gross profit (loss) as a % of revenue	***33%***	*31%*	*2%*	

Gross profit improved from the comparative period as a result of favorable product mix, in combination with the cost reductions realized as a result of continued focus on supply chain efficiencies.

Gross profit for the three months ended December 31, 2019 includes a $0.3 million expense of excess and obsolete inventory (2018 – recovery of $0.7 million).

GENERAL AND ADMINISTRATION EXPENSE (G&A)

($000 except percentages)	For the three months ended December 31			
	2019	2018	Change	% Change
G&A	**2,189**	1,990	199	10%
G&A as a % of revenue	***18%***	*15%*	*3%*	

G&A spend and G&A as a percentage of revenue increased modestly from the comparative period as a result of certain project expenditures. Late in the fourth quarter of 2019, the Corporation implemented further cost reductions that will be reflected in the results of future periods. The Corporation continues to monitor its overhead spend and drive increased operational efficiencies.

SALES AND MARKETING EXPENSE (SALES & MARKETING)

($000 except percentages)	For the three months ended December 31			
	2019	2018	Change	% Change
Sales & marketing	**469**	625	(156)	(25%)
Sales & marketing as a % of revenue	***4%***	*5%*	*(1%)*	

Sales & Marketing has decreased from the comparative periods as a result of cost reductions that took place in the third quarter of 2019.

RESEARCH AND DEVELOPMENT (R&D)

($000 except percentages)	For the three months ended December 31 2019	2018	Change	% Change
R&D expense	**994**	762	232	30%
Capitalized development expenditures	**313**	-	313	100%
R&D expenditures	**1,307**	762	545	72%
R&D expenditures as a % of revenue	**11%**	6%	5%	

McCoy has continued to focus on developing new technologies that address customer challenges. McCoy completed the first phase of the Technology Roadmap with the successful introduction of two digital products in the fourth quarter of 2019:

A remote support service that enables real-time connection makeup evaluation support for Tubular Running Service customers

An applied calibration machine learning technology for McCoy's Tubular Make-Up equipment servicing requirements

In addition to the successful introduction of these products, McCoy has developed the cloud-based platform and digital infrastructure to further enable future digital product offerings and enhancements.

Costs incurred on product development are capitalized as intangible assets when it is probable the development will provide economic benefits, considering its commercial and technical feasibility, the resources available for development and that costs can be measured reliably.

OTHER ITEMS

($000 except percentages)	For the three months ended December 31 2019	2018	Change	% Change
Finance charges, net	**242**	101	141	140%
Other (gains) and losses, net	**(12)**	(239)	227	(95%)
Restructuring charges	**-**	65	(65)	(100%)

Finance charges, net, includes borrowing costs offset by interest income on cash and cash equivalents. For the three months ended December 31, 2019 finance charges, net, also includes interest charges imputed on leases in accordance with IFRS 16.

Other (gains) losses, net, primarily includes costs associated with foreign exchange fluctuations, merger and acquisition costs and any associated non-recurring integration expenditures, and gains or losses on the disposal of property, plant and equipment.

Restructuring charges recognized during the three months ended December 31, 2018 related to restructuring initiatives to reduce the Corporation's cost structure related to transitioning production from Edmonton, Alberta to Broussard, Louisiana; and consolidating Eastern Hemisphere operations in the United Arab Emirates.

SUMMARY OF QUARTERLY RESULTS

($000 except per share amounts)	2019				2018			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	**11,875**	15,222	11,455	14,840	13,543	13,899	10,391	11,243
Impairment and restructuring charges	**-**	-	-	-	65	15	1,028	798
Net earnings (loss)	**61**	1,238	(1,590)	524	931	183	(2,954)	(1,951)
Basic and diluted earnings (loss) per share	**-**	0.04	(0.06)	0.02	0.03	0.01	(0.11)	(0.07)
EBITDA	**1,176**	2,144	(828)	1,289	1,513	911	(1,054)	(1,392)
Adjusted EBITDA	**1,487**	2,213	(61)	713	776	687	(772)	(482)

Net earnings (loss), EBITDA and Adjusted EBITDA were impacted by the adoption of IFRS 16, effective January 1, 2019, which replaced operating expenses with depreciation of right-of-use-assets and finance charges on lease liabilities.

During the three months ended December 31, 2019, the Corporation recognized $0.3 million in depreciation of right-of-use-assets and $0.1 million finance charges on lease. For the three months ended December 31, 2019, the adoption of IFRS 16 resulted in a $0.3 million increase in EBITDA and Adjusted EBITDA.

SUMMARY OF CONSOLIDATED ANNUAL RESULTS

For the year ended December 31 ($000 except per share amounts)	2019	2018	2017
Revenue	**53,392**	49,076	40,045
Net earnings (loss)	**233**	(3,791)	(16,317)
Per common share – basic	**0.01**	(0.14)	(0.59)
Per common share – diluted	**0.01**	(0.14)	(0.59)
Adjusted EBITDA	**4,352**	205	(3,296)
Per common share – basic	**0.16**	0.01	(0.12)
Per common share – diluted	**0.16**	0.01	(0.12)
Total assets	**59,630**	59,742	57,438
Total liabilities	**21,780**	19,335	16,232
Total non-current liabilities	**7,879**	3,955	666

EBITDA and adjusted EBITDA are calculated as follows:

For the year ended December 31 ($000)	2019	2018	2017
Net earnings (loss)	**233**	(3,791)	(16,317)
Depreciation of property, plant and equipment	**2,729**	2,573	2,335
Amortization of intangible assets	**155**	585	819
Income tax expense (recovery)	**-**	319	(969)
Finance charges, net	**664**	292	183
EBITDA	**3,781**	(22)	(13,949)
(Recovery of) provisions for excess and obsolete inventory	**(506)**	(1,717)	6,204
Other losses (gains), net	**888**	(165)	915
Restructuring charges	**-**	1,004	2,710
Share-based compensation	**189**	203	218
Impairment charges	**-**	902	606
Adjusted EBITDA	**4,352**	205	(3,296)

Net earnings, EBITDA and Adjusted EBITDA were impacted by the adoption of IFRS 16 which replaced operating expenses with depreciation of right-of-use-assets and finance charges on lease liabilities. During the year ended December 31, 2019, the Corporation recognized $0.9 million in depreciation of right-of-use-assets and $0.3 million finance charges on lease liabilities. For the year ended December 31, 2019, the adoption of IFRS 16 resulted in a $1.2 million increase in EBITDA and Adjusted EBITDA. For the year ended December 31, 2019, principal portions of lease payments of $0.9 million were recorded as financing activities on the statements of cash flows. The Corporation has not restated comparatives for 2018 as permitted by the transitional provisions of IFRS 16.

REVENUE

($000 except percentages)	For the year ended December 31			
	2019	2018	Change	% Change
Revenue	**53,392**	49,076	4,316	9%

Following steady improvements in oil prices and global drilling activity levels through much of 2018, commodity prices declined sharply during the fourth quarter of 2018. This led to increased uncertainty surrounding our customers' 2019 capital budgets, with customers generally taking a more conservative approach to the start of 2019.

While drilling activity levels in the U.S. land market declined throughout 2019, international and offshore markets continued their gradual recovery throughout 2019 more than offsetting the decline in the Corporation's order intake from the North American market.

GROSS PROFIT

($000 except percentages)	For the year ended December 31			
	2019	2018	Change	% Change
Gross profit	**16,328**	12,686	3,642	29%
Gross profit as a % of revenue	***31%***	*26%*	*5%*	

Gross profit increased from the comparative period as a result of increased production through-put, in combination with the cost reductions realized as a result of continued focus on supply chain efficiencies. Gross profit in the comparative periods includes the transitional impact of the consolidation of production facilities and costs associated with transitioning to an assembly production model.

Included in gross profit is a non-cash recovery for excess and obsolete inventory of $0.5 million (2018 – recovery of $1.7 million).

GENERAL AND ADMINISTRATION EXPENSE (G&A)

($000 except percentages)	For the year ended December 31			
	2019	2018	Change	% Change
G&A	**8,938**	8,434	504	6%
G&A as a % of revenue	***17%***	*17%*	-	

G&A spend and G&A as a percentage of revenue increased modestly from the comparative period. Late in the fourth quarter of 2019, the Corporation initiated further cost reduction actions that will be reflected in the results of future periods. The Corporation continues to monitor its overhead spend and expects future G&A expenditures to continue to decline as a percentage of revenue as the Corporation's current overhead cost structure can be leveraged for revenue growth.

SALES AND MARKETING EXPENSE (SALES & MARKETING)

	For the year ended December 31			
($000 except percentages)	2019	2018	Change	% Change
Sales & marketing	**2,221**	2,688	(467)	(17%)
Sales & marketing as a % of revenue	***4%***	*5%*	*(1%)*	

Sales & Marketing has decreased from the comparative periods as a result of restructuring initiatives. Sales & Marketing are expected to remain consistent on a go forward basis.

RESEARCH AND DEVELOPMENT (R&D)

	For the year ended December 31			
($000 except percentages)	2019	2018	Change	% Change
R&D expense	**3,384**	3,003	381	13%
Capitalized development expenditures	**2,202**	192	2,010	1,047%
R&D expenditures	**5,586**	3,195	2,391	
R&D expenditures as a % of revenue	**10%**	7%	3%	

McCoy has continued to focus on developing new technology to address customer challenges McCoy completed the first phase of the Roadmap with the successful introduction of two digital products:

A remote support service that enables real-time connection makeup evaluation support for Tubular Running Service customers

An applied calibration machine learning technology for McCoy's Tubular Make-Up equipment servicing requirements

In addition to the successful introduction of these products, McCoy has developed the cloud-based platform and digital infrastructure to support the future digital product offerings and enhancements.

Costs incurred on product development are capitalized as intangible assets when it is probable the development will provide economic benefits, considering its commercial and technical feasibility, the resources available for development and that costs can be measured reliably.

OTHER ITEMS

($000 except percentages)	For the year ended December 31			
	2019	2018	Change	% Change
Other losses (gains), net	**888**	(165)	1,053	(638%)
Finance charges, net	**664**	292	372	127%
Restructuring charges	**-**	1,004	(1,004)	(100%)
Impairment charges	**-**	902	(902)	(100%)

Other losses (gains), net, primarily includes costs associated with foreign exchange fluctuations, merger and acquisition costs and any associated non-recurring integration expenditures, and gains or losses on the disposal of property, plant and equipment. For the year ended December 31, 2019, other losses include a further $0.6 million of provision recorded for certain site remediation costs associated with a previous business divestiture.

Finance charges, net, includes borrowing costs offset by interest income on cash and cash equivalents. For the year ended December 31, 2019 finance charges, net, also includes interest charges imputed on leases in accordance with IFRS 16.

Restructuring charges recognized during the year ended December 31, 2018 related to restructuring initiatives to reduce the Corporation's cost structure related to transitioning production from Edmonton, Alberta to Broussard, Louisiana; and consolidating Eastern Hemisphere operations in the United Arab Emirates.

Impairment charges recognized during the year ended December 31, 2018 related to internally generated intellectual property. McCoy Global reviewed capitalized development costs related to new product development projects and determined that the future economic benefits expected from the use of these assets was uncertain.

LIQUIDITY AND CAPITAL RESOURCES

Selected cash flow and capitalization information is as follows:

For the year ended December 31 ($000)	**2019**	2018
Cash generated from (used in) operating activities	**6,918**	(4,996)
Cash used in investing activities	**(9,063)**	(970)
Cash generated from financing activities	**961**	1,297

Cash generated in operating activities was driven by positive adjusted EBITDA and increased working capital efficiency. For the year ended December 31, 2018, cash used in operating activities was primarily related to working capital to support an increase in order intake and revenue growth.

Cash used in investing activities primarily relates to the strategic acquisition of DrawWorks LP, investment in McCoy's 'Digital Technology Roadmap' and additions to the Corporation's rental fleet. In the previous year, cash used in investing activities related to the expansion of the Corporation's rental fleet.

During the year ended December 31, 2019 the Corporation entered into a loan agreement for $2.4 million USD secured by certain of its US real estate assets in anticipation of the acquisition of DrawWorks LP. Cash used in financing activities related to repayments of the Corporation's term loan, the principal portions of lease payments and the repurchase of shares. In 2018, the Corporation repaid its borrowings under a previous facility and as a result, $2.0 million was released from restricted cash related to borrowings. Subsequent to the repayment, the Corporation executed a loan agreement to borrow $4.0 million USD under a term loan repayable in equal principal payments over four years.

For the three months ended December 31 ($000)	**2019**	2018
Cash generated from (used in) operating activities	**4,222**	(1,651)
Cash (used in) generated from investing activities	**(6,103)**	142
Cash used in financing activities	**(450)**	(272)

Cash generated in operating activities was driven by positive adjusted EBITDA and increased working capital efficiency. For the comparative period, cash used in operating activities was primarily related to working capital to support the increase order intake and revenues offset by the generation of positive EBITDA.

Cash used in investing activities primarily relates to the strategic acquisition of DrawWorks LP, investment in McCoy's 'Digital Technology Roadmap' and additions to the Corporation's rental fleet. In the comparative period, cash generated from investing activities was the result of sales conversion from the Corporation's rental fleet offset by investment in new rental fleet equipment.

Cash used in financing activities in the current and comparative quarter relate to principal repayments of the Corporation's borrowings. For the three months ended December 31, 2019, cash used in financing activities also includes the repayment of principal elements of lease payments in accordance with IFRS 16.

For the year ended December 31 ($000)	**2019**	2018
Cash and cash equivalents	**8,382**	10,947
Restricted cash, as per credit facility	**500**	500
Borrowings	**(8,190)**	(4,775)
Net cash	**692**	6,672

McCoy remains committed to managing the business for success in the current market environment through continued focus on margin improvements through operational efficiencies and diligently maintaining previously enacted cost reduction initiatives. Though market uncertainty continues to be a challenge in developing longer term forecasts for the Corporation, generating operating cashflows and increasing working capital efficiency regardless of market conditions is a key priority for the Corporation.

FINANCIAL RISK MANAGEMENT

The Corporation's activities are exposed to a variety of financial risks of varying degrees of significance, which could affect the Corporation's ability to achieve strategic objectives. Overall, risk management programs focus on the unpredictability of financial and economic markets and seek to minimize potential adverse effects on financial performance. The principal financial risks to which the Corporation is exposed are described in note 22 of the Consolidated Annual Financial Statements for the year ended December 31, 2019.

OTHER FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS

The Corporation has committed to payments under leases for premises and equipment. Based on remaining contractual maturities, the undiscounted cash flows for its financial liabilities; future aggregate minimum lease payments under non-cancellable leases; and commitments to purchase inventory and operating supplies are as follows:

As at December 31 (000's)	Due in less than one year	Due between one and two years	Due between two and three years	Total
	$	$	$	**$**
Trade and other payables	5,584	-	-	**5,584**
Borrowings	3,247	5,492	662	**9,401**
Lease liabilities	1,287	2,343	-	**3,630**
Onerous lease provisions	97	-	-	**97**
Undiscounted cash flows for financial liabilities	**10,215**	**7,835**	**662**	**18,712**
Purchase commitments for inventory and operating supplies	2,006	1,122	125	**3,253**
As at December 31, 2019	**12,221**	**8,957**	**787**	**21,965**

RELATED PARTY TRANSACTIONS

On September 15, 2014, the Corporation divested the Coating & Hydraulics division. The Corporation has entered into agreements indemnifying the purchaser with respect to certain leased premises associated with the Coatings & Hydraulics division. These remediation cost estimates are described in note 10(d) of the Consolidated Annual Financial Statements for the year ended December 31, 2019. A member of the Corporation's Board of Directors is the Chairman of, and holds an equity interest in, the purchaser of the Coatings & Hydraulics division.

OUTSTANDING SHARE DATA

As at March 5, 2020 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	27,630,989
Convertible equity securities:	
Stock options	1,898,000
Restricted shares	198,500

The stock options and restricted shares are exercisable into an equal number of common shares. Stock options may be exercised after they have vested. Restricted shares are converted to common shares at pre-determined vesting dates. Options with the following exercise price ranges were outstanding as at March 5, 2020:

Exercise price range	Options outstanding	Weighted average remaining contractual life
	#	years
<$1	775,000	9.77
$1 to $2	610,000	6.13
$2 to $3	313,000	4.51
$3 to $4	200,000	5.04
	1,898,000	7.23

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) *Trade and other receivables*

The Corporation records trade and other receivables at amortized cost. Writedowns for trade and other receivables are recorded each period as required under the expected credit loss model and further updated based on management's judgment.

(ii) *Inventories*

The Corporation records inventories at the lower of cost and net realizable value. Write-downs for inventory are recorded each period as required and updated based on management's judgment.

(iii) *Provisions*

Estimates and judgments are used in measuring and recognizing provisions and the Corporation's exposure to contingent liabilities and onerous contracts. Judgment is necessary to determine the likelihood and estimated future outflow of resources that may be required to settle any future or existing claims, onerous contracts or contingent obligations.

(iv) *Income tax*

The Corporation operates in several tax jurisdictions and is required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. The calculation of income taxes requires the use of judgment.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Judgment and estimation is necessary to determine the likelihood and availability of future taxable profits against which tax losses and tax credits carried forward can be used.

(v) *Impairment of non-financial assets*

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

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

(vi) *Leases as reported under IFRS 16*

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

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

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

(vii) *Business combinations*

The Corporation applies judgement on the recognition and measurement of assets acquired and liabilities assumed, and estimates are used to calculate and measure such adjustments. In measuring the fair value of the acquiree's assets and liabilities, management uses estimates about future cash flows and discount rates. Any measurement changes after initial recognition would affect the measurement of goodwill.

FUTURE ACCOUNTING PRONOUNCEMENTS

From time to time, the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") issue a number of new standards, amendments to standards and interpretations that are effective for future reporting periods. There are no other standards that are not yet effective that would be expected to have a material impact on the Corporation in the current or future reporting periods at this time.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the design and operating effectiveness of our DC&P was conducted, as at December 31, 2019, by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as at December 31, 2019, our DC&P, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), was effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR.

Our ICFR includes policies and procedures that pertain to the maintenance of records that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; and are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our annual consolidated financial statements.

Because of its inherent limitations, ICFR can provide only reasonable assurance and may not prevent or detect misstatements.

Furthermore, projections of an evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management, under the supervision of the CEO and CFO, has evaluated the design and operating effectiveness of our ICFR using the framework and criteria established in Internal Controls – Integrated Framework of 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO have concluded that as at December 31, 2019, ICFR (as defined in NI 52-109) were effective. There were no changes in our ICFR during the year ended December 31, 2019 that have materially affected, or are reasonably likely to affect, our ICFR.

RISK AND UNCERTAINTIES RELATED TO THE BUSINESS

The Corporation's results of operations, business prospects, financial condition, cash distributions to shareholders and the trading price of the Corporation's shares are subject to a number of risks. These risk factors include:

- oil and natural gas price fluctuations;
- domestic and foreign competition;

- technology;
- replacement or reduced use of products and services;
- international operations and international trade relations:
- global health crisis;
- ability to effectively manage growth;
- business mergers and acquisitions;
- insurance sufficiency, availability and rate risk;
- supply chain;
- reliance on key persons workforce availability;
- legal compliance;
- litigation;
- breach of confidentiality;
- safety performance;
- foreign exchange;
- availability of financing;
- raising equity through the issuance of shares;
- customers' inability to obtain credit/financing;
- material differences between actual results and management estimates and assumptions;
- impact of the United States-Mexico-Canada Agreement;
- Greenhouse Gas ("GHG") regulations;
- change in U.S. administration;
- conservation measures and technological advances;
- terrorist attack or armed conflict;
- sufficiency of internal controls;
- information security; and
- challenges by taxation authorities.

A discussion of these risks and other risks associated with investment of the Corporation's shares is given elsewhere in this MD&A as well as in "Risk Factors" detailed in the Corporation's Annual Information Form ("AIF") that is available on SEDAR at www.sedar.com.

RISK FACTORS

In addition to risks described elsewhere in this MD&A or in the AIF, the Corporation is exposed to various business risks which include but are not limited to the following:

OIL AND NATURAL GAS FLUCTUATIONS

A downturn in oil and natural gas prices worldwide has a direct impact on activities of the Corporation's customers.

Generally, there is higher demand for the Corporation's products and services when commodity prices are relatively high and the opposite is true when commodity prices are low. The volatility of crude oil and natural gas prices accounts for much of the cyclical nature of the oilfield services business.

Worldwide military, political and economic events, expectations for global economic growth, or initiatives by the Organization of the Petroleum Exporting Countries and other major petroleum exporting countries, can affect supply and demand for oil and natural gas. Weather conditions, governmental regulation (in Canada and elsewhere), levels of consumer demand, the availability of pipeline capacity, U.S. and Canadian natural gas storage levels, and other factors beyond the Corporation's control can also affect the supply of and demand for oil and natural gas and lead to future price volatility. A prolonged reduction in oil and natural gas prices would likely depress the level of exploration and production activity. This would likely result in a corresponding decline in the demand for McCoy Global's products and services and could have a material adverse effect on the Corporation's revenue, cash flow and profitability.

McCoy Global has trade receivables with customers in the oil and natural gas industry and their revenues may be affected by fluctuations in commodity prices. The Corporation's ability to collect receivables may be adversely affected by any prolonged weakness in oil and natural gas prices.

Domestic and foreign competition

The Corporation has competitors. If the Corporation does not respond effectively to competitors' new products, geographic expansion, quality, delivery, pricing and marketing strategies, the Corporation may lose market share. Further, drillers and operators are constantly evolving the means of extracting hydrocarbons, with an emphasis on safety and automation. If competitors develop complimentary or similar products which better align with customer requirements, the Corporation is at risk of customers switching to competitor products.

Reduced levels of activity in the oil and natural gas industry can intensify competition and result in pricing pressure on McCoy Global's products and services, and corresponding lower revenue to the Corporation.

Technology

The oilfield products and services industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oilfield product and services companies may have greater financial, technical and personnel resources that allow them to expedite development of new technologies before the Corporation. There can be no assurance that the Corporation will be able to respond to such competitive pressures and develop such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently developed by the Corporation or developed in the future may become obsolete which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. No assurances can be given that McCoy Global's competitors will not achieve technological advantages or introduce disruptive technologies.

McCoy Global may seek patents or other similar protections in respect of particular products and technology, however, McCoy Global may not be successful in such efforts. Competitors may also develop similar products and technology thereby adversely affecting McCoy Global's competitive advantage in one or more of McCoy Global's product lines. Additionally, there is no assurance that certain products or technology McCoy Global develops, may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on McCoy Global's business, financial condition, results of operations and cash flows. Furthermore, others may infringe on McCoy Global's intellectual property rights, McCoy Global may not be successful in defence of such infringement claims.

Replacement or reduced use of products and services

Certain of the Corporation's products may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be preferable for other reasons. The Corporation will need to remain current with the changing market for oil and natural gas services and technological and regulatory changes. If the Corporation fails to do so, this could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

International operations & international trade relations

McCoy Global operates internationally through direct sales and distributors with operations in Canada, the United States and the United Arab Emirates. The Corporation's international operations are subject to risks normally associated with conducting business in foreign countries, including among others:

- an uncertain political and economic environment;
- the loss of revenue or property and equipment as a result of expropriation, confiscation, nationalization, contract deprivation and force majeure;
- war, terrorist acts or threats, civil insurrection, and geopolitical and other political risks;

- fluctuations in foreign currency and exchange controls;
- restrictions on the repatriation of income or capital;
- increases in duties, taxes and governmental royalties;
- changes in laws and policies governing operations of foreign-based companies; and
- trade restrictions or embargoes imposed by the U.S. or other countries.

If there is a dispute relating to the Corporation's international operations, McCoy Global may be subject to the exclusive jurisdiction of foreign courts or may not be able to subject foreign persons to the jurisdiction of a court in Canada or the U.S.

In the international markets where the Corporation operates, McCoy Global is subject to various laws and regulations that govern the operation and taxation of its businesses and the import and export of the Corporation's equipment from country to country. There may be uncertainty about how these laws and regulations are imposed, applied or interpreted, and they could be subject to change. Since McCoy Global derives a portion of its revenues from subsidiaries outside of Canada and the U.S., the subsidiaries paying dividends or making other cash payments or advances may be restricted from transferring funds in or out of the respective countries, or face exchange controls or taxes on any payments or advances. McCoy Global has organized its foreign operations partly based on certain assumptions about various tax laws (including capital gains and withholding taxes), foreign currency exchange, and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. McCoy Global believes these assumptions are reasonable; however, there is no assurance that foreign taxing or other authorities will reach the same conclusion. If these foreign jurisdictions change or modify the laws, the Corporation could suffer adverse tax and financial consequences.

While the Corporation has developed policies and procedures designed to achieve compliance with applicable international laws, McCoy Global could be exposed to potential claims, economic sanctions, or other restrictions for alleged or actual violations of international laws related to the Corporation's international operations, including anti-corruption and anti-bribery legislation, trade laws and trade sanctions. The Canadian government, the U.S. Department of Justice, the Securities and Exchange Commission, the U.S. Office of Foreign Assets Control, and similar agencies and authorities in other jurisdictions have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for such violations, including injunctive relief, disgorgement, fines, penalties and modifications to business practices and compliance programs, among other things. While the impact of any of these factors, if any of those risks materialize, cannot be accurately predicted, it could have a material adverse effect on the Corporation's reputation, business, financial condition, results of operations and cash flow.

GLOBAL HEALTH CRISIS

The Corporation may be impacted by global heath pandemics, including through supply chain disruption, business interruption, changes in customer demand for McCoy's products and services, stock price volatility, among other risks.

ABILITY TO EFFECTIVELY MANAGE GROWTH

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The Corporation's ability to manage growth effectively will require it to continue to implement and improve its operations and financial systems and to expand, train and manage its employee base. The Corporation's inability to deal with this growth could have a material adverse impact on its business, financial condition, results of operations and cash flows.

BUSINESS MERGERS AND ACQUISITIONS

McCoy Global considers and evaluates mergers and acquisitions of, or investments in, complementary businesses and assets as part of McCoy Global's growth strategy. Any merger or acquisition could have a material adverse effect on the Corporation's operating results, financial condition, or the price of the Corporation's securities. Mergers and acquisitions involve numerous risks, including unanticipated costs and liabilities, difficulty in integrating the

operations and assets of the acquired business, the ability to properly access and maintain an effective internal control environment over an acquired company to comply with public reporting requirements, potential loss of key employees and customers of the acquired companies, and an increase in the Corporation's expenses and working capital requirements.

If McCoy Global is successful in integrating current or future acquisitions into its operations, the full benefits, such as operational or administrative synergies, expected from acquisitions may not be realized, which may result in the Corporation committing capital resources and not receiving the expected returns. In addition, McCoy Global may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets. In certain situations, the Corporation may find itself competing for targets with other strategic and non-strategic buyers which may have the desire or ability to value targets at a higher purchase price than McCoy Global.

INSURANCE SUFFICIENCY, AVAILABILITY AND RATE

Although the Corporation believes its insurance coverage to be appropriate for the nature of the risks relative to the costs of coverage, such coverage may not be adequate. Furthermore, the Corporation's ability to procure effective insurance at favorable rates is dependent on various operational factors including the number of claims and amounts paid out.

Furthermore, the Corporation may become the subject of claims, lawsuits and and/or administrative proceedings seeking damages or other remedies concerning our commercial operations, product, employees and other matters. Some of these claims could relate to the activities of businesses that have been acquired, even though these activities may have occurred prior the Corporation's acquisition of such businesses. The Corporation's insurance may not cover all of its potential losses, or the Corporation may be subject to various retentions or deductibles under its insurance. A judgment may be rendered against the Corporation, in which the Corporation could be uninsured, or which exceed the amounts currently reserved or anticipate incurring for such matters.

SUPPLY CHAIN

The Corporation relies on various key suppliers and their risks and costs are ultimately borne by the Corporation. McCoy Global may further outsource key components, raw materials and component parts from a variety of suppliers in Canada, the U.S. and overseas. McCoy Global may also place advance orders for components or parts that have long lead times. The Corporation may experience cost increases, inferior quality, delays in delivery due to strong activity or financial hardship of suppliers or contractors, or other unforeseen circumstances relating to third parties. If the Corporation's current or alternate suppliers are unable to deliver the necessary components, materials, parts and services required at acceptable quality standards, it may delay delivery of products to McCoy Global's customers and have a material adverse effect on the Corporation's revenue, cash flow and earnings.

RELIANCE ON KEY PERSONS AND WORKFORCE AVAILABILITY

The Corporation's future and growth is dependent on retaining qualified employees at all levels of the organization. There is no assurance that the Corporation will be able to retain key personnel. Losing these individuals could have a material adverse effect on McCoy Global's operations and financial condition.

Additionally, McCoy's future growth may be dependent upon its ability to attract additional qualified employees. The inability to recruit skilled personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

LEGAL COMPLIANCE

The Corporation does business in, and sells goods into, many countries and its operations are subject to many different laws, customs and cultures. Business is conducted by both McCoy Global personnel and third-party representatives. The Corporation is required to comply with applicable anti-corruption laws, including the Canadian Corruption of Foreign Public Officials Act, the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act 2010, as well as local laws in all countries in which the corporation does business. Furthermore, certain products and

services are subject to the export control laws of the United States, Canada, the United Kingdom, Singapore, the United Arab Emirates and other countries where its products are sold. Failure to comply with the laws and regulations governing exports may result in monetary fines for individuals as well as McCoy Global, loss of McCoy Global's export privileges, imprisonment, and other sanctions. The Corporation has established policies and procedures that McCoy Global personnel must follow to ensure compliance with those laws and regulations.

LITIGATION

In the normal course of the Corporation's business, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, contractual disputes, patent infringement, property damage, and the environment. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

BREACH OF CONFIDENTIALITY

In the normal course of the Corporation's business the Corporation may discuss potential business relationships, transactions with third parties, financing solutions or other activities and at which time the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. The Corporation takes commercially reasonable measures to ensure confidentiality agreements are signed by third parties prior to the disclosure of any confidential information or to otherwise ensure the confidentiality of such information is maintained; however; a breach or failure of these measures could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

SAFETY PERFORMANCE

Standards for accident prevention in the oil and natural gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer-specific safety requirements, and health and safety legislation. Safety is a key factor that customers consider when selecting an oilfield product and service company. A decline in McCoy Global's safety performance could result in lower demand for its products and services, and this could have a material adverse effect on the Corporation's revenue, cash flow and earnings.

The Corporation is subject to various health and safety laws, rules, legislation and guidelines which can impose material liability, increase its costs or lead to lower demand for its products and services.

FOREIGN EXCHANGE

McCoy Global's United States and international operations have revenues, expenses, assets and liabilities denominated in currencies other than the Canadian dollar. This means that changes in currency exchange rates can result in changes in profitability from period to period.

AVAILABILITY OF FINANCING

McCoy Global may need to obtain additional debt or equity financing in the future to support ongoing operations, undertake capital expenditures, repay existing or future debt, or pursue acquisitions or other business combination transactions. Volatility or uncertainty in the credit markets may increase costs associated with issuing debt or equity, and there is no assurance that the Corporation will be able to access additional financing when needed, or on acceptable or favourable terms. If the Corporation is unable to obtain financing to support ongoing operations or to fund capital expenditures, acquisitions, debt repayments, or other business combination transactions, it could limit growth and may have a material adverse effect on the Corporation's revenue, cash flow and profitability.

RAISING EQUITY THROUGH THE ISSUANCE OF SHARES

The Corporation may issue additional common shares in the future to fund its needs, as authorized by the Board of Directors. Other than as may be required by the TSX or other regulatory bodies in certain circumstances, the Corporation does not require shareholder approval to issue additional common shares, and shareholders do not have any pre-emptive rights related to share issues. The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

SHAREHOLDER ACTIVISM

The Corporation may be subject to legal and business challenges in the operation of our company due to actions instituted by activist shareholders or others. These activities may not be aligned with long-term shareholder value creation for all. Responding to such actions could be costly and time-consuming, may not align with our business strategies and could divert the attention of our Board of Directors, Executive team and senior management from the pursuit of our business strategies. Perceived uncertainties as to our future direction as a result of activism may lead to the perception of a change in the direction of the business or other instability and may adversely affect our relationships with vendors, customers, prospective and current employees and others.

CUSTOMERS' INABILITY TO OBTAIN CREDIT/FINANCING

Many of McCoy Global's customers require reasonable access to credit facilities and debt capital markets to finance their oil and gas drilling activity. If the availability of credit to McCoy Global's customers is reduced, they may reduce their drilling expenditures, thereby decreasing demand for McCoy Global's products and services. Any such reduction in spending by the Corporation's customers could adversely affect the Corporation's operating results and financial condition.

MATERIAL DIFFERENCES BETWEEN ACTUAL RESULTS AND MANAGEMENT ESTIMATES AND ASSUMPTIONS

In preparing consolidated financial statements in conformity with IFRS, estimates and assumptions are used by management in determining the reported amounts of assets and liabilities, revenues and expenses recognized during the periods presented and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of such financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available, or is not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and the Corporation must exercise significant judgment. Estimates may be used in management's assessment of items such as allowance for doubtful accounts, business combinations, depreciation, impairment of assets, functional currency, fair values, income taxes, share-based compensation and asset retirement obligations. Actual results for all estimates could differ materially from the estimates and assumptions used by the Corporation, which could have a material adverse effect on McCoy Global's business, financial condition, results of operations, cash flows and future prospects.

IMPACT OF THE UNITED STATES-MEXICO-CANADA AGREEMENT

McCoy Global's customers and vendors may be located across North America and therefore may be subject to or impacted by the United States-Mexico-Canada Agreement. Provisions within this agreement may have a material adverse effect on the business, financial condition, results of operations and prospects of the Corporation.

GREENHOUSE GAS REGULATIONS

The oil and natural gas industry's exploration and production facilities and other operations and activities emit GHGs and both oil and gas exploration and production ("E&P") companies and oilfield services providers may be required to comply with GHG emissions legislation in Canada, the U.S. and in other jurisdictions in which they operate. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the United Nations Framework Convention on Climate Change ("UNFCCC") and as a participant to the

Copenhagen Agreement (a non-binding agreement created by the UNFCCC), the Government of Canada announced on January 29, 2010 that it will seek a 17% reduction in GHG emissions from 2005 levels by 2020. These GHG emission reduction targets are not binding. In May 2015, Canada submitted its Intended Nationally Determined Contribution ("INDC") to the UNFCCC, ahead of the 2015 United National Climate Change Conference ("COP 21"), held in Paris. As a result, the Government of Canada will replace the 17% reduction target established in the Copenhagen Agreement with INDC of 30% reduction below 2005 levels by 2030. INDCs were communicated prior to the COP 21 and constitute the actions and targets that individual countries will undertake to help keep global temperatures from rising more than 2° Celsius and to pursue efforts to limit below 1.5° Celsius. The UNFCCC adopted the Paris Agreement on December 12, 2015.

In addition, on December 9, 2016, the Government of Canada formally announced the Pan-Canadian Framework on Clean Growth and Climate Change. As a result, the federal government will implement a Canada wide carbon pricing scheme beginning in 2018. This may be implemented through either a cap and trade system or a carbon tax regime at the option of each province or territory. The federal government will impose a price on carbon of $10 per tonne on any province or territory which fails to implement its own system by 2018. This amount will increase by $10 annually until it reaches $50 per tonne in 2022 at which time the program will be reviewed.

In recent years, the United States Congress has considered legislation to reduce emissions of GHGs, including methane, a primary component of natural gas, and carbon dioxide, a by-product of the burning of natural gas. It presently appears unlikely that comprehensive climate legislation will be passed by either house of Congress or signed by the President in the near future, although energy legislation and other regulatory initiatives are expected to be proposed that may be relevant to GHG emissions issues. In addition, a number of states are addressing GHG emissions, primarily through the development of emission inventories or regional GHG cap and trade programs.

Independent of Congress, the U.S. Environmental Protection Agency (the "EPA") has adopted regulations controlling GHG emissions under its existing authority under the United States Clean Air Act (the "CAA"). For example, following its findings that emissions of GHGs present an endangerment to human health and the environment because such emissions contributed to warming of the earth's atmosphere and other climatic changes, the EPA has adopted regulations under existing provisions of the CAA that, among other things establish construction and operating permit reviews for GHG emissions from certain large stationary sources that are already potential major sources for conventional pollutants. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified production, processing, transmission and storage facilities in the United States on an annual basis.

Furthermore, in December 2015, at COP 21, like Canada the U.S. became a signatory to the Paris Agreement which has set broad goals to, among other things, limit global climate change to not more than 2° Celsius (or less), preparing, maintaining and publishing national greenhouse gas reduction targets and creating a "carbon-neutral" world by 2050. The agreement came into force on November 4, 2016, however U.S. President Donald Trump announced on June 1, 2017 that the U.S. would cease all participation in the Paris Agreement. Although it is not possible at this time to predict how new laws or regulations in the U.S. and Canada, or any legal requirements imposed following Canada agreeing to the Paris Agreement that may be adopted or issued to address GHG emissions would impact McCoy Global's business, any such future laws, regulations or legal requirements imposing reporting or permitting obligations on, or limiting emissions of GHGs from, the Corporation's equipment and operations could require it to incur costs to reduce emissions of GHGs associated with its operations as well as delays or restrictions in its ability to permit GHG emissions from new or modified sources. Such changes could also decrease the activity of the Corporation's clients.

The direct or indirect costs of compliance with these regulations may have a material adverse effect on the business, financial condition, results of operations and prospects of the Corporation. Any such regulations could also increase the cost of consumption, and thereby reduce demand for the oil, natural gas liquids and natural gas the Corporation's clients produce. Given the evolving nature of the debate related to climate change and the control of GHGs and resulting requirements, it is not possible to predict with certainty the impact on the Corporation and its operations and financial condition.

There has been public discussion that climate change may be associated with extreme weather conditions such as more intense hurricanes, thunderstorms, tornados and snow or ice storms, as well as rising sea levels. Another possible consequence of climate change is increased volatility in seasonal temperatures. Some studies indicate that climate change could cause some areas to experience temperatures substantially colder than their historical averages. Extreme weather conditions can interfere with the Corporation's operations and the operations of its clients and increase the Corporation's costs, and damage resulting from extreme weather may not be insured. However, at this time, the Corporation is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting its operations.

Additionally, the environmental regulations in the other jurisdictions in which McCoy Global operates may have a material adverse effect on the business, financial condition, results of operations and prospects of the Corporation.

CHANGES IN U.S. ADMINISTRATION

Changes in U.S. administrations may impact operations of McCoy Global as production operations are predominately located within the United States of America. The Corporation can not predict the impact of administration changes and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

CONSERVATION MEASURES AND TECHNOLOGICAL ADVANCES

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on its business, financial condition, results of operations and cash flows.

TERRORIST ATTACK OR ARMED CONFLICT

Terrorist activities (including environmental terrorism), anti-terrorist efforts and other armed conflicts involving the jurisdictions in which McCoy Global operates may adversely affect global economies and could prevent the Corporation from meeting its financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil, natural gas and natural gas liquids, potentially putting downward pressure on demand for the Corporation's services and causing a reduction in the Corporation's revenues. Oil and natural gas related facilities could be direct targets of terrorist attacks, and the Corporation's operations could be adversely impacted if infrastructure integral to the Corporation's clients' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

SUFFICIENCY OF INTERNAL CONTROLS

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation has undertaken and will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those that may be imposed on it under applicable securities laws, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. Additionally, implementing and monitoring effective internal controls can be costly. If the Corporation or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's financial statements and harm the trading price of the Common Shares.

INFORMATION SECURITY

The efficient operation of McCoy Global's business is dependent on computer hardware and software systems. In the ordinary course of McCoy's business, McCoy collects and stores sensitive data, including intellectual property, proprietary business information and identifiable personal information of its employees and customers. The Corporation's information technology and infrastructure may be vulnerable to attacks by hackers and cyberterrorists motivated by, among others, geopolitical, financial or activist reasons, or breached due to employee error, malfeasance or other disruptions. Any such disclosed, lost, stolen or compromised. Any such attack, breach, access, disclosure or loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruptions to McCoy's operations, decreased performance, increased costs and damage to McCoy's reputation, which could have a material adverse effect on its business, financial condition, results of operations and cash flow.

If any programs or systems were to fail or create erroneous information in the Corporation's hardware or software network infrastructure, possible consequences include a loss of communication links and inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any such consequence could have a material adverse effect on the Corporation's business.

CHALLENGES BY TAXATION AUTHORITIES

Taxation authorities may not agree with the classification of expenses the Corporation or its subsidiaries have claimed or may challenge the amount of interest expense deducted. If the taxation authorities successfully challenge these classifications or deductions, it could have an adverse effect on the Corporation's return to shareholders.

OTHER INFORMATION

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2019 is available on SEDAR at www.sedar.com.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

MANAGEMENT STATEMENT OF RESPONSIBILITY

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

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

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

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

(signed) "Jim Rakievich"

President & Chief Executive Officer

(signed) "Lindsay McGill"

Vice President & Chief Financial Officer

March 5, 2020

Independent auditor's report

To the Shareholders of McCoy Global Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of McCoy Global Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of earnings (loss) and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

PricewaterhouseCoopers LLP
Stantec Tower, 10220 103 Avenue NW, Suite 2200, Edmonton, Alberta, Canada T5J 0K4
T: +1 780 441 6700, F: +1 780 441 6776

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Edmonton, Alberta
March 5, 2020

Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)

As at	Note	December 31, 2019	December 31, 2018
		$	$
Assets			
Current assets			
Cash and cash equivalents		**8,382**	10,947
Restricted cash	11	**500**	500
Trade and other receivables	22	**8,791**	12,029
Inventories	5	**23,031**	27,238
Prepaid expenses and deposits		**664**	719
		41,368	51,433
Other receivables		**319**	476
Property, plant and equipment	6	**9,825**	7,824
Intangible assets	7	**4,567**	9
Goodwill	26	**3,551**	-
Total assets		**59,630**	59,742
Liabilities			
Current liabilities			
Trade and other payables	9	**5,584**	9,726
Customer deposits		**3,148**	2,389
Provisions	10	**1,539**	1,901
Current lease liabilities	12	**1,097**	-
Borrowings	11	**2,533**	1,364
		13,901	15,380
Provisions	10	**58**	544
Lease liabilities	12	**2,164**	-
Borrowings	11	**5,657**	3,411
Total liabilities		**21,780**	19,335
Shareholders' equity	14		
Share capital		**59,636**	59,695
Contributed surplus		**5,384**	5,125
Accumulated other comprehensive income		**7,552**	10,542
Accumulated deficit		**(34,722)**	(34,955)
Total shareholders' equity		**37,850**	40,407
Total liabilities and shareholders' equity		**59,630**	59,742

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

Approved by the Board of Directors

(signed) "Jim Rakievich"
Director

(signed) "Chris Seaver"
Director

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE LOSS

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

For the years ended	Note	**December 31, 2019**	December 31, 2018
		$	$
Revenue	16	**53,392**	49,076
Cost of sales		**37,064**	36,390
Gross profit		**16,328**	12,686
General and administration		**8,938**	8,434
Sales and marketing		**2,221**	2,688
Research and development		**3,384**	3,003
Finance charges, net	18	**664**	292
Other losses (gains), net	19	**888**	(165)
Restructuring charges	10	**-**	1,004
Impairment charges	7	**-**	902
		16,095	16,158
Earnings (loss) before income taxes		**233**	(3,472)
Income tax expense (recovery)	20		
Current		**-**	(240)
Deferred		**-**	559
		-	319
Net earnings (loss)		**233**	(3,791)
Other comprehensive (loss) gain			
Translation (loss) gain of foreign operations		**(2,990)**	3,164
Comprehensive loss		**(2,757)**	(627)
Earnings (loss) per share	21		
Basic from net earnings (loss)		**0.01**	(0.14)
Diluted from net earnings (loss)		**0.01**	(0.14)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Note	Issued capital					
		Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings (deficit)	Total equity
		#	$	$	$	$	$
Balances at January 1, 2018		27,684,239	60,126	4,866	7,378	(31,164)	41,206
Net loss		-	-	-	-	(3,791)	(3,791)
Translation gain on foreign operations		-	-	-	3,164	-	3,164
Employee share-based compensation expense		-	-	93	-	-	93
Repurchase of shares	14	(198,300)	(431)	166	-	-	(265)
Balances at December 31, 2018		27,485,939	59,695	5,125	10,542	(34,955)	40,407
Net earnings		**-**	**-**	**-**	**-**	**233**	**233**
Translation loss on foreign operations		**-**	**-**	**-**	**(2,990)**	**-**	**(2,990)**
Employee share-based compensation expense		**-**	**-**	**142**	**-**	**-**	**142**
Issuance of common shares under restricted shares	15	**230,250**	**126**	**-**	**-**	**-**	**126**
Repurchase of shares	14	**(85,200)**	**(185)**	**117**	**-**	**-**	**(68)**
Balances at December 31, 2019		**27,630,989**	**59,636**	**5,384**	**7,552**	**(34,722)**	**37,850**

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

Consolidated Statements of Cash Flows

(Stated in thousands of Canadian dollars)

For the years ended	Note	December 31, 2019	December 31, 2018
Cash generated from (used in)		**$**	$
Operating activities			
Net earnings (loss)		**233**	(3,791)
Adjustments for:			
Depreciation of property, plant and equipment	6	**2,729**	2,573
Amortization of intangible assets	7	**155**	585
Income tax expense		**-**	319
Finance charges, net		**664**	292
Share-based compensation expense	15	**189**	203
Impairment charges	7	**-**	902
Changes in non-cash working capital balances	25	**4,159**	(5,985)
Change in restructuring and facility remediation provisions	10	**(388)**	(1,385)
Income taxes recovered		**-**	1,721
Finance costs paid, net		**(669)**	(260)
Gain on disposal of property, plant and equipment		**(154)**	(170)
Net cash generated from (used in) operating activities		**6,918**	(4,996)
Investing activities			
Purchases of property, plant and equipment		**(1,418)**	(1,003)
Proceeds from sale of property, plant and equipment		**380**	231
Additions to intangible assets		**(2,202)**	(198)
Business combination, net	26	**(5,823)**	-
Net cash used in investing activities		**(9,063)**	(970)
Financing activities			
Repayment of borrowings	11	**(1,317)**	(5,585)
Proceeds from borrowings	11	**3,161**	5,147
Repurchase of common shares	14	**(68)**	(265)
Proceeds from issuance of common shares under restricted share plan		**126**	-
Principal elements of lease payments		**(941)**	-
Funds transferred from restricted cash		**-**	2,000
Net cash generated from financing activities		**961**	1,297
Effect of exchange rate changes on cash and cash equivalents		**(1,381)**	644
Decrease in cash and cash equivalents		**(2,565)**	(4,025)
Cash and cash equivalents – beginning of the year		**10,947**	14,972
Cash and cash equivalents – end of the year		**8,382**	10,947

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018
(in thousands of Canadian dollars, except share data or unless otherwise specified)

1. NATURE OF OPERATIONS

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

The Corporation is engaged in the following:

i. design, production and distribution of capital equipment to support wellbore integrity and to support capital equipment sales through aftermarket products and services such as technical support, consumables and replacement parts;

ii. design, production and distribution of data collection technologies used in rugged applications for the global energy industry as well as in construction, marine and aerospace;

iii. repair, maintenance and calibration of the Corporation's capital equipment and similar competitor products; and

iv. rental of the Corporation's technologies.

Set out below are McCoy's principal operations:

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

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

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

2. STATEMENT OF COMPLIANCE

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

These consolidated financial statements were approved by the Board of Directors on March 5, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) BASIS OF PRESENTATION

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

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

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

b) Changes in Accounting Policies

The following standard came into effect on January 1, 2019.

IFRS 16, Leases

The Corporation adopted IFRS 16 retrospectively from January 1, 2019 but has not restated comparatives for 2018 as permitted by the transitional provisions of the standard. The reclassifications and adjustments arising from adoption are recognized in the opening statement of financial position on January 1, 2019. The Corporation reviewed all the current and new leases and recognized them on the statement of financial position, as the distinction between operating and finance leases under the principles of International Accounting Standard ("IAS") 17 is removed for leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay contractual amounts are recognized.

The adoption of IFRS 16 has impacted the consolidated statements of earnings (loss) and comprehensive loss by replacing operating expenses with finance cost and depreciation. Key metrics like EBITDA will also be impacted from the change in accounts. Operating cash flows were higher as cash payments for the principal portion of the lease liability were classified within financing activities. The impact of adoption is further disclosed in note 12.

The Corporation leases several properties with a range of terms and conditions. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to earnings or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

c) Basis of Consolidation

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- acquisition transaction costs are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date;
- the excess of the fair value of consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- if the fair value of the consideration transferred is less than the fair value of the net assets acquired, the difference is recognized directly in the consolidated statements of earnings (loss) and comprehensive loss.

d) Critical Accounting Estimates and Judgments

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

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

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

(i) Inventories

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

(ii) Trade and other receivables

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

(iii) Provisions

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

(iv) Income taxes

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

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

(v) Impairment of non-financial assets

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

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

(vi) Leases as reported under IFRS 16

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

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

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

(vii) Business combinations

The Corporation applies judgment on the recognition and measurement of assets acquired and liabilities assumed, and estimates are used to calculate and measure such adjustments. In measuring the fair value of the acquiree's assets and liabilities, management uses estimates about future cash flows and discount rates. Any measurement changes after initial recognition would affect the measurement of goodwill.

e) Translation of foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

f) Financial instruments

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

(i) Non-derivative financial instruments

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

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

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

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

g) Cash and cash equivalents

Cash and cash equivalents primarily comprise Canadian dollar and US dollar cash on deposit. The Corporation holds local currency for each location its operations are in for local purchases and expenditures.

h) INVENTORIES

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

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

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

i) PROPERTY, PLANT AND EQUIPMENT

(i) RECOGNITION AND MEASUREMENT

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

(ii) SUBSEQUENT COSTS

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

(iii) DEPRECIATION

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

Buildings	15 years
Machinery and office equipment	3 – 15 years
Rental equipment	2 – 4 years
Computer equipment	1 – 3 years
Right-of-use assets	Lesser of the term of related lease and asset useful life
Leasehold improvements	Lesser of the term of related lease and asset useful life

No depreciation is charged on land. Depreciation is not recognized on assets under construction until such time that they are ready for their intended use. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. The effect of such changes is recognized in earnings or loss prospectively.

j) Intangible assets

(i) Internally generated intangible assets

Expenditures on research are recognized as an expense as incurred.

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

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

(ii) Amortization

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

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

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

k) Goodwill

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

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

l) Business combinations

Acquisitions of businesses and subsidiaries that meet the definition of a business are accounted for using the acquisition method. The consideration of the acquisition is measured as that fair value of the identifiable assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition in exchange for control of the acquired business. Acquisition-related costs are recognized in earnings or loss as incurred, other than those associated with the issue of debt or equity securities.

m) Impairment

(i) Financial assets

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

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

(ii) NON-FINANCIAL ASSETS

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

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

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

An impairment loss is recognized in earnings for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

n) PROVISIONS

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

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

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

o) LEASES

(i) ACCOUNTING POLICIES UNDER IAS 17

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

Leases in which substantially all the risks and rewards of ownership have transferred to the Corporation are classified as finance leases. The leased assets are recognized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance lease balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance cost is charged to earnings or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

(ii) ACCOUNTING POLICIES UNDER IFRS 16

The Corporation has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated.

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

assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into on or after January 1, 2019.

The Corporation has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Corporation relied on its assessment made applying IAS 17, Leases, and International Financial Reporting Interpretations Committee ("IFRIC") 4, Determining whether an arrangement contains a lease.

- **As a lessee**

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

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

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

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

- **As a lessor**

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

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

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

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

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

Generally, the accounting policies applicable to the Corporation as a lessor in the comparative period were not different from IFRS 16 for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

p) INCOME TAXES

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

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

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

q) Share-based compensation

(i) Equity settled share-based compensation

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

(ii) Cash settled share-based compensation

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

r) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

s) Earnings per share

The Corporation presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS are calculated by dividing the net earnings for the year attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the year.

Diluted EPS are calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation's potentially dilutive common shares comprise share options granted to employees.

t) Revenue

(i) Sale of products

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

(ii) Rendering of services

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

(iii) Rental

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

4. Future Accounting Pronouncements

From time to time IASB and IFRIC issue a number of new standards, amendments to standards and interpretations that are effective for future reporting periods. There are no other standards that are not yet effective that would be expected to have a material impact on the Corporation in the current or future reporting periods at this time.

5. Inventories

	2019	2018
	$	$
Raw materials	**1,706**	1,609
Work-in-progress	**1,890**	2,217
Parts to be used in production	**8,994**	13,947
Production inventory	**12,590**	17,773
Finished goods available for sale	**10,441**	9,465
	23,031	27,238

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

Included in cost of sales for the year ended December 31, 2019 is a net recovery of $506 (2018 – net recovery of $1,717) to adjust inventories to net realizable value.

Inventory writedowns relating to the Corporation's restructuring plan, as described in note 10(c), amounted to $nil (2018 – $146) and are included in restructuring charges.

The net realizable value of capital equipment and related accessories included in inventories was assessed on an individual product basis. Judgment was used in assessing the net realizable value of each item of capital equipment, including accessories. All other items in inventory were assessed for obsolescence at a distinct part level. A writedown is taken if management determines that the carrying value of the inventory items exceeds the net recoverable value. The estimated net recoverable value is determined using a formulaic approach taking into account historical movement of the distinct parts and other factors. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the writedown is reversed. Clear evidence of an increase in net realizable value includes, but is not limited to, increased sales or usage in production at a distinct part level. The maximum amount of any reversal is the original writedown, such that the new carrying amount is the lower of cost and the revised net realizable value.

6. Property, Plant and Equipment

	Note	Land	Buildings	Machinery and office equipment	Rental equipment	Computer equipment	Right-of-use assets	Leasehold improvements	Total
		$	$	$	$	$	$	$	$
Cost									
At January 1, 2018		1,282	3,212	10,067	3,260	613	-	3,936	22,370
Additions		-	-	63	940	-	-	-	1,003
Transfers to inventory		-	-	-	(520)	-	-	-	(520)
Disposals		-	-	(1,500)	(187)	(149)	-	(2,447)	(4,283)
Foreign exchange		115	288	946	211	98	-	118	1,776
At December 31, 2018		1,397	3,500	9,576	3,704	562	-	1,607	20,346
IFRS 16 transitional impact	12	**-**	**-**	**-**	**-**	**-**	**3,800**	**-**	**3,800**
Business combination	26	**-**	**-**	**246**	**-**	**-**	**-**	**-**	**246**
Additions		**-**	**-**	**92**	**1,041**	**11**	**-**	**274**	**1,418**
Disposals		**-**	**-**	**(272)**	**(282)**	**-**	**(56)**	**-**	**(610)**
Foreign exchange		**(67)**	**(168)**	**(482)**	**(186)**	**(5)**	**(129)**	**(77)**	**(1,114)**
At December 31, 2019		**1,330**	**3,332**	**9,160**	**4,277**	**568**	**3,615**	**1,804**	**24,086**
Accumulated depreciation									
At January 1, 2018		-	203	7,967	843	535	-	3,780	13,328
Depreciation		-	238	668	1,602	37	-	28	2,573
Transfers to inventory		-	-	-	(227)	-	-	-	(227)
Disposals		-	-	(1,443)	(183)	(149)	-	(2,447)	(4,222)
Foreign exchange		-	31	704	158	74	-	103	1,070
At December 31, 2018		-	472	7,896	2,193	497	-	1,464	12,522
Depreciation		**-**	**231**	**681**	**797**	**25**	**935**	**60**	**2,729**
Disposals		**-**	**-**	**(217)**	**(142)**	**-**	**(25)**	**-**	**(384)**
Foreign exchange		**-**	**(25)**	**(384)**	**(113)**	**(5)**	**(9)**	**(70)**	**(606)**
December 31, 2019		**-**	**678**	**7,976**	**2,735**	**517**	**901**	**1,454**	**14,261**
Carrying amount									
At December 31, 2018		1,397	3,028	1,680	1,511	65	-	143	7,824
At December 31, 2019		**1,330**	**2,654**	**1,184**	**1,542**	**51**	**2,714**	**350**	**9,825**

During the year ended December 31, 2019, depreciation included in cost of sales amounted to $2,565 (2018 – $2,573) and depreciation in general and administration amounted to $164 (2018 – $nil).

Additions to rental fleet during 2019 and 2018 are comprised of equipment capitalized from inventory.

During the year ended December 31, 2018, based on additional experience gained with the Corporation's rental fleet, the useful lives of certain assets in the fleet were revised from 6 – 10 years to 2 – 4 years. This resulted in an additional depreciation expense of $218 for the year ended December 31, 2019 (2018 – $1,114).

7. Intangible Assets

	Note	Internally generated intellectual property	Acquired intellectual property	Software and internally generated software	Total
		$	$	$	$
Cost					
At January 1, 2018		1,018	-	2,848	3,866
Additions		192	-	6	198
Retirements		(902)	-	(59)	(961)
Foreign exchange		11	-	1	12
At December 31, 2018		319	-	2,796	3,115
Additions		**2,194**	**-**	**8**	**2,202**
Business combination	26	**-**	**2,596**	**-**	**2,596**
Foreign exchange		**(34)**	**(59)**	**(2)**	**(95)**
At December 31, 2019		**2,479**	**2,537**	**2,802**	**7,818**
Accumulated amortization					
At January 1, 2018		319	-	2,257	2,576
Amortization		-	-	585	585
Retirements		(902)	-	(59)	(961)
Impairment		902	-	-	902
Foreign exchange		-	-	4	4
At December 31, 2018		319	-	2,787	3,106
Amortization		**57**	**93**	**5**	**155**
Foreign exchange		**(7)**	**(2)**	**(1)**	**(10)**
At December 31, 2019		**369**	**91**	**2,791**	**3,251**
Carrying amounts					
At December 31, 2018		-	-	9	9
At December 31, 2019		**2,110**	**2,446**	**11**	**4,567**

During the year ended December 31, 2019, amortization included in cost of sales amounted to $150 (2018 – $nil) and amortization in general and administration amounted to $5 (2018 – $585).

During the year ended December 31, 2018, management determined that the future economic benefits expected from the use of certain internally generated intellectual property were uncertain and no longer aligned with its strategic initiatives. As a result, an impairment amounted to $902 recognized in 2018.

The cost and accumulated amortization of assets with no remaining economic lives were retired when determined.

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

	2019	2018
Internally generated intellectual property	3 – 5 years	1 – 2 years
Acquired intellectual property	7 years	-
Software	1 year	1 – 2 years

8. Impairment of Non-financial Assets

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

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

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

An impairment loss is recognized in earnings or loss for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

The Corporation reviews the carrying value of its non-financial assets at each reporting period for indicators of impairment. During the year ended December 31, 2019, the Corporation determined that the decline in drilling activity levels in the North American land market was an indicator of impairment and performed an assessment of the carrying values of non-financial assets. The recoverable amounts of non-financial assets were estimated based on their value in use, determined by discounting estimated future cash flows expected to be generated by the assets or CGU to which it was assigned.

Key assumptions used in the estimation of value in use included the after-tax discount rate of 17% and management expectation of future outcomes and market conditions, including forecasted North American and international rig and well counts. Based on industry forecasts and other factors, average projected annual revenue growth over the next five years was estimated at 11% per annum. Discount rates were derived from the Corporation's estimated weighted average cost of capital.

The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are after-tax and reflect specific risks relating to the Corporation. The process for determining recoverable amounts is subjective and requires management to exercise a significant amount of judgment in determining future growth rates, discount rates and tax implications.

Upon completion of the impairment assessment, it was determined that no impairment was to be recognized on the Corporation's non-financial assets. No significant changes in any of the key assumptions would have resulted in an impairment charge.

9. Trade and Other Payables

	Note	**2019**	2018
		$	$
Trade payables		**4,207**	7,803
Accrued liabilities and other payables		**1,180**	1,646
Cash settled share-based compensation	14(b)	**197**	277
		5,584	9,726

10. Provisions

	Note	Warranty	Legal	Restructuring	Facility remediation	Total
		$	$	$	$	$
At January 1, 2018		617	303	2,060	1,049	4,029
Provisions made during the year		474	106	1,004	-	1,584
Provisions utilized during the year		(472)	(263)	(2,401)	(55)	(3,191)
Change in estimate		-	(146)	-	-	(146)
Foreign exchange		102	-	67	-	169
At December 31, 2018		**721**	**-**	**730**	**994**	**2,445**
Transitional impact of IFRS 16	12	**-**	**-**	**(582)**	**-**	**(582)**
Provisions made during the year		**229**	**147**	**-**	**614**	**990**
Provisions utilized during the year		**(304)**	**(25)**	**(51)**	**(951)**	**(1,331)**
Business combination	26	**126**	**-**	**-**	**-**	**126**
Foreign exchange		**(51)**	**-**	**-**	**-**	**(51)**
At December 31, 2019		**721**	**122**	**97**	**657**	**1,597**
Expected to be utilized within one year		721	122	39	657	1,539
Expected to be utilized thereafter		-	-	58	-	58

a) Warranty

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

b) Legal

In the normal course of the Corporation's business, it may become involved in, named as a party to, or be the subject of, various legal proceedings related to personal injuries, environmental claims, property damage, contractual disputes, patent infringement and regulatory matters, among others. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and, as a result, could have a material adverse effect on the Corporation's financial performance, financial position and liquidity. Losses, if any, may be covered by the Corporation's insurance.

c) Restructuring

During the year ended December 31, 2018, McCoy completed its strategic initiative to deliver significant operational efficiencies and re-align the Corporation's cost structure to a lower revenue environment by:

i. transitioning McCoy's production facility in Edmonton, Alberta to Broussard, Louisiana. This resulted in the closure of operations in Edmonton and the ramp up of production capabilities in Broussard. Canadian customers continue to be supported through a service and rental facility in Edmonton; and

ii. consolidating McCoy's Eastern Hemisphere operations to the United Arab Emirates. McCoy continues to support the European and Asia Pacific regions with a lower cost structure model.

Onerous lease provisions have been deducted from the right-of-use asset on adoption of IFRS 16 in line with the allowable practical expedient (note 12).

d) Facility remediation

The Corporation leases premises, which are required to be returned to the landlord at the end of the lease in accordance with the terms of the lease agreement, including remediation of any deficiencies incurred as a result of carrying out business activities. In addition, as part of a prior business divestiture, the Corporation has indemnified the purchaser with respect to a leased premise associated with the divestiture. The facility remediation provision is based on management's estimate of the expected costs of restoring its locations or former locations to a condition that is in accordance with lease terms. When available, costs are estimated based on management's assessment of third party quotations to complete the required remediation efforts. If third party quotations are not available, management has used the best information available to assess the future costs to be incurred by the Corporation. Judgment related to these future costs is based on uncertainty regarding the full extent of the required costs to complete.

11. Borrowings

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

		Senior Secured Credit Facility	Senior Secured Term Loan	Secured Promissory	Unsecured Promissory	Total
	Note	11(a)	11(b)	11(c)	11(d)	
		$	$	$	$	$
Balances at January 1, 2018		4,930	-	-	-	4,930
Repayment of borrowings		(4,930)	-	-	-	(4,930)
Proceeds of borrowings		-	5,209	-	-	5,209
Deferred financing charges		-	(62)	-	-	(62)
Scheduled repayments		-	(655)	-	-	(655)
Foreign exchange adjustment		-	283	-	-	283
Balances at December 31, 2018		-	4,775	-	-	4,775
Proceeds of borrowings		-	-	3,161	-	3,161
Business combination	26	-	-	-	1,994	1,994
Deferred financing charges		-	-	(100)	-	(100)
Scheduled repayments		-	(1,317)	-	-	(1,317)
Amortization of deferred financing charges		-	16	12	-	28
Foreign exchange adjustment		-	(263)	(42)	(46)	(351)
Balances at December 31, 2019		**-**	**3,211**	**3,031**	**1,948**	**8,190**
Current portion		-	1,234	-	1,299	2,533
Non-current portion		-	1,977	3,031	649	5,657

Scheduled principal repayments under the borrowing arrangements calculated using foreign exchange rates in effect at December 31, 2019 are as follows:

	Senior Secured Term Loan	Secured Promissory Note	Unsecured Promissory Note	Total
	$	$	$	$
2020	1,299	-	1,299	**2,598**
2021	1,299	3,117	649	**5,065**
2022	649	-	-	**649**
Total	3,247	3,117	1,948	**8,312**

a) SENIOR SECURED CREDIT FACILITY

During the year ended December 31, 2018, the Corporation repaid all outstanding borrowings under the credit facility that was in place at December 31, 2017 and subsequently cancelled the facility. This resulted in a repayment of $4,930. Prior to the repayment, the Creditor required $2,500 to be held as security, which was presented as restricted cash on the statements of financial position. Subsequent to the repayment, the Corporation entered into a $500 credit facility to support cash management. The credit facility is secured by $500 in cash and cash equivalents, which is to be held under the Creditor's authority as security. The $500 of cash and cash equivalents held as collateral is presented as restricted cash on the consolidated statements of financial position.

b) SENIOR SECURED TERM LOAN

During the year ended December 31, 2018, the Corporation entered into a term loan agreement for $5,209 (USD$4.0 million). The loan has a term of four years and is repayable in equal quarterly payments of principal, plus interest. Interest is calculated at either LIBOR plus 5.05% or the US Prime Rate plus 3.55%, at the Corporation's option. As at December 31, 2019, the applicable rate was 7.80% (December 31, 2018 – 7.82%). Under the term loan agreement, the Corporation's wholly owned subsidiary, McCoy Global USA, Inc., provided a general security agreement over all present and after acquired personal property and the Corporation provided a guarantee. There are no financial covenants associated with the term loan agreement. The Corporation is subject to certain conditions under the term loan agreement, including a material adverse change clause.

c) SECURED PROMISSORY NOTE

During the year ended December 31, 2019, the Corporation entered into an US denominated loan agreement for $3,177 (USD$2.4 million) secured by certain of its US real estate assets. The loan is repayable on or before October 1, 2021; however, the facility may be repaid at any time without penalty. As at December 31, 2019, the carrying amount of land and building pledged as security is $3,984. The loan interest is due and payable on the first of every consecutive calendar month. Interest is calculated at the US Prime Rate plus 7.00%, but in no event to be less than 12.25%. As at December 31, 2019, the applicable rate was 12.25%. Under the terms of the loan agreement, the Corporation's wholly owned subsidiary, McCoy Global USA, Inc., is subject to a financial covenant minimum debt coverage ratio of 1.1:1. As at December 31, 2019, McCoy Global USA, Inc, was in compliance with the financial covenant. The Corporation incurred transaction costs of $100 in connection with securing the loan, for net proceeds of $3,077.

d) UNSECURED PROMISSORY NOTE

In connection with the acquisition of DrawWorks LP (note 23), the Corporation entered into an US denominated promissory note for $1,994 (USD$1.5 million). The note is repayable in equal quarterly payments of principal, plus interest over eighteen months. The promissory note bears interest at 5.25%.

12. LEASES

On adoption of IFRS 16, the Corporation recognized lease liabilities in relation to contractual lease payments. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.00% and 7.82% for the Canadian and U.S. leases, respectively.

	Transitional impact
	$
Operating lease commitments disclosed as at December 31, 2018	5,337
Discounted using the lessee's incremental borrowing rate at date of initial application	(677)
Less: short-term leases recognized on a straight-line basis as expense	(168)
Less: other commitments previously disclosed	(110)
Lease liability recognized as at January 1, 2019	**4,382**
Current	968
Non-current	3,414

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position as at December 31, 2018. Onerous lease contracts recorded as at December 31, 2018 resulted in an adjustment to the right-of-use assets at the date of initial application.

The impact of adopting IFRS 16 as at January 1, 2019 is as follows:

	Right-of-use assets	Provisions	Lease liabilities
	$	$	$
Balance as at December 31, 2018	-	2,445	-
Transitional impact of IFRS 16	**3,800**	**(582)**	**4,382**
Balance as at January 1, 2019	**3,800**	**1,863**	**4,382**

In applying IFRS 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

i. the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
ii. reliance on previous assessments on whether leases are onerous;
iii. the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
iv. the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

13. Deferred Taxes

a) Unrecognized deferred tax assets

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

	2019	2018
	$	$
Deductible temporary differences	**4,599**	4,428
Tax losses	**3,176**	4,103
	7,775	8,531

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

b) Tax losses carried forward

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

	2019		2018	
	Gross amount	Tax effect	Gross amount	Tax effect
	$	$	$	$
2036	4,111	1,111	4,093	1,105
2037	2,286	617	2,286	617
2038	723	170	785	183
2039	6,057	1,278	-	-
Indefinite	-	-	12,086	2,198
	13,177	3,176	19,250	4,103

Deferred tax assets have not been recognized in respect of capital losses of $23,845 (2018 – $22,697). It is not probable that future taxable capital gains will be available against which the Corporation can utilize the benefits of these losses. These losses do not expire.

14. Shareholders' Equity

a) Share capital

Authorized

(i) Unlimited number of common, voting shares

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

b) Repurchase of common shares

During the year ended December 31, 2018, the Corporation announced a normal course issuer bid ("NCIB"). Under the NCIB, the Corporation was permitted to purchase, for cancellation, up to a maximum of 1,379,041 common shares, equal to five percent of the public float of 27,580,839 common shares as at May 23, 2018. The Corporation was also limited under the NCIB to purchasing no more than 2,241 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB continued until May 19, 2019. All shares purchased under the NCIB were cancelled.

On May 31, 2019, the Corporation announced the renewal of its NCIB. Under the current NCIB, the Corporation may purchase, for cancellation, up to a maximum of 1,371,422 common shares, equal to five percent of the public float of 27,428,439 common shares as at May 23, 2019. The Corporation is also limited under the NCIB to purchasing no more than 1,910 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB will continue until June 4, 2020. Purchases will be made on the open market through the TSX or alternative platforms at the market price of such shares. All shares purchased under the NCIB will be cancelled.

Transactions under the NCIB were as follows:

		2019	2018
Shares repurchased		85,200	198,300
Weighted average cost	$	0.80	1.34
Total cost	$	68	265

Total cost includes share repurchase amount and costs to implement the NCIB.

15. Share-Based Compensation

a) Equity settled share-based compensation

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

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

The following reflects activity under the employee share option plan:

	2019		2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, January 1	**1,355,000**	**2.57**	2,435,000	3.54
Granted	**775,000**	**0.65**	150,000	1.10
Forfeited	**(5,000)**	**2.05**	(1,000,000)	3.75
Expired	**(140,000)**	**5.86**	(230,000)	6.70
Outstanding, December 31	**1,985,000**	**1.59**	1,355,000	2.57
Exercisable, December 31	**664,000**	**2.41**	563,000	3.36

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

	2019		2018	
Exercise price range	**Options outstanding**	**Weighted average remaining contractual life**	Options outstanding	Weighted average remaining contractual life
	#	**years**	#	years
< $2	**1,425,000**	**9.54**	650,000	7.84
$2 to $4	**560,000**	**7.20**	565,000	7.20
$4 to $6	**-**	**-**	100,000	0.74
> $6	**-**	**-**	40,000	0.19
	1,985,000	**8.88**	1,355,000	6.83

The following weighted average assumptions were used in the Black-Scholes calculations for share options granted during the years ended December 31:

		2019	2018
Share price	$	**0.65**	1.10
Exercise price	$	**0.65**	1.10
Expected volatility		**58%**	48%
Risk-free interest rate		**2%**	1%
Annual dividend rate		**-**	-
Expected life of options in years		**7.0 years**	5.0 years

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be the actual outcome.

The weighted average fair value of share options granted during the year, calculated under the Black-Scholes option pricing model, was $0.44 per share option (2018 – $0.47 per share option) and there were no options exercised during the year.

b) CASH SETTLED SHARE-BASED COMPENSATION

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

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

	2019	2018
	#	#
Outstanding, as at January 1	**176,785**	151,150
Granted	**46,876**	25,635
Outstanding, as at December 31	**223,661**	176,785
Vested, as at December 31	**152,009**	130,689

The Corporation has an RSP for employees of the Corporation who are designated as participants by the Human Resources, Compensation & Governance Committee. The aggregate number of common shares issuable under the plan can be no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis when combined with shares issued under the share option plan. In addition, no more than 5% of outstanding shares may be reserved for any one person and no more than 10% of outstanding shares may be reserved for insiders. The vesting arrangements under the plan are at the discretion of the Board of Directors, however the term of the vesting cannot be longer than ten years.

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

	2019	2018
	#	#
Outstanding, as at January 1	**492,000**	-
Granted	**-**	492,000
Forfeited	**(31,500)**	-
Redeemed or exercised	**(230,250)**	-
Outstanding, as at December 31	**230,250**	492,000
Vested, as at December 31	**-**	-

Restricted shares issued under the restricted share plan vest evenly over two years from the grant date. During the year, the Corporation issued 230,250 shares from treasury to generate cash proceeds for the purpose of redeeming restricted shares redeemed or exercised.

c) SHARE-BASED COMPENSATION EXPENSE

	2019	2018
	$	$
Equity settled share-based compensation	**142**	93
Cash settled share-based compensation	**47**	110
	189	203

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

16. REVENUE

	2019	2018
	$	$
Sale of products, parts and consumables	**46,997**	43,050
Rendering of services	**4,178**	3,907
Rental	**2,217**	2,119
	53,392	49,076

17. Expenses by Nature

	2019	2018
	$	$
Production costs to produce inventories and changes in inventories	**24,955**	28,958
Employee compensation and benefit expense	**16,850**	13,299
Facilities and other	**7,424**	6,817
Depreciation and amortization	**2,884**	3,158
Recovery of excess and obsolete inventory provisions	**(506)**	(1,717)
Total expenses	**51,607**	50,515
Allocated to:		
Cost of sales	**37,064**	36,390
General and administration	**8,938**	8,434
Sales and marketing	**2,221**	2,688
Research and development	**3,384**	3,003
Total expenses	**51,607**	50,515

18. Finance Charges

	2019	2018
	$	$
Interest on borrowings	**432**	283
Amortization of deferred charges	**87**	10
Finance income	**(142)**	(1)
Finance charges on lease liabilities	**287**	-
	664	292

19. Other Losses (Gains)

	2019	2018
	$	$
Provisions related to previous business divestiture	**576**	53
Foreign exchange loss (gain)	**226**	(48)
Non-recurring integration costs associated with business combination	**240**	-
Gain on disposal of PPE	**(154)**	(170)
	888	(165)

20. Income Tax Expense

a) Reconciliation of income tax expense

Income tax expense varies from the amounts that would be computed by applying the domestic statutory rate of 27% (2018 – 27%) to loss before income taxes for the following reasons:

	2019	2018
	$	$
Earnings (loss) before income taxes	233	(3,472)
Computed income tax expense (recovery)	63	(937)
Tax effects of:		
Jurisdictional tax rate differences	(1,204)	(1,434)
(Non-taxable) non-deductible items	214	(4,555)
Tax losses for which no deferred tax asset was recognized	927	6,839
Other items	-	406
Income tax expense	-	319

b) Income tax expense on earnings

	2019	2018
	$	$
Current tax recovery	-	(240)
Deferred tax recovery:		
Origination and reversal of temporary differences	(841)	(6,280)
Tax losses for which no deferred tax asset was recognized	841	6,839
Total deferred tax expense	-	559
Income tax expense	-	319

21. Earnings (Loss) per Share

	2019			2018		
	Net earnings	Weighted average shares	Per share amount	Net loss	Weighted average shares	Per share amount
	$	#	$	$	#	$
Basic earnings (loss) per share						
Earnings (loss) available to common shareholders	233	27,517,369	0.01	(3,791)	27,485,939	(0.14)
Dilutive effect of options and restricted shares		397,933			-	
Diluted earnings (loss) per share						
Earnings (loss) available to common shareholders	233	27,915,302	0.01	(3,791)	27,485,939	(0.14)

For the year ended December 31, 2019, the Corporation has excluded 1,985,000 share options from the computation of diluted earnings (loss) per share.

For the year ended December 31, 2018, the Corporation has excluded 1,355,000 share options and 492,000 restricted shares from the computation of diluted loss per share because they are anti-dilutive for the period presented.

22. Financial Risk Management and Financial Instruments

a) Fair values of financial assets and liabilities

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

b) Financial risk management

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

(i) Market risk

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

- **Foreign currency risk**

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

  The Corporation recognized a foreign currency exchange loss of $226 in other losses (gains), net (2018 – gain of $48). Based on the Corporation's US dollar denominated monetary assets and liabilities, at December 31, 2019, the Corporation estimates that a ten-cent change in the value of the US dollar would increase or decrease net earnings by $448 (2018 – $203).

- **Interest rate risk**

  Interest rate risk is the risk the value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. In 2019 and 2018, the Corporation was primarily exposed to interest rate risk on cash and cash equivalents and borrowings. The Corporation estimates that a change of 100 basis points in the interest rate as at December 31, 2018 would have increased or decreased net earnings for the year ended December 31, 2019 by $64 (2018 – $122), arising from interest expense incurred on borrowings.

(ii) Credit risk

- **Impairment of financial assets**

  The Corporation's trade receivables are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

- **Trade and other receivables**

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

  As at December 31, 2019, the Corporation had four customers that accounted for $10,411 (20%) of total trade receivables (2018 – four customers accounted for $3,207 (28%)).

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

	2019	2018
	$	$
Fully performing	**3,143**	4,911
Past due but not impaired	**4,203**	5,764
Indications of impairment	**1,004**	555
Trade receivables	**8,350**	11,230

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

The credit quality of fully performing receivables is determined based on credit evaluations and management's past experience with the customers. Past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. Trade receivables with indications of possible impairment primarily relate to receivables that may not be collectible. Management has applied judgment after taking into account the expected credit loss model to determine impairment provisions of $1,004 (2018 – $555) are sufficient to cover credit risk.

The aging analysis of trade receivables is as follows:

As at December 31	2019	2018
	$	**$**
0 to 30 days	**3,119**	2,913
31 to 60 days	**1,835**	2,030
61 to 120 days	**1,437**	3,399
Over 121 days	**1,959**	2,888
Trade receivables	**8,350**	11,230
Loss allowance	**(1,004)**	(555)
Trade receivables, net of loss allowance	**7,346**	10,675
Other receivables	**1,445**	1,354
Total trade and other receivables	**8,791**	12,029

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

For the years ended	2019	2018
	$	$
Provisions for impairment, as at January 1	**(555)**	(757)
Allowance reversal, net or impairment loss recognized	**(737)**	170
Amounts written off	**157**	81
Change in estimate	**78**	-
Foreign exchange	**53**	(49)
Provisions for impairment, as at December 31	**(1,004)**	(555)

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

(iii) Liquidity risk

Liquidity risk is the risk the Corporation will not be able to meet its obligations with financial liabilities as they come due. The Corporation maintains sufficient cash and cash equivalents to meet financial obligations. Based on the remaining contractual maturities, the undiscounted cash flows for the Corporation's financial liabilities, including interest payments, are as follows:

	Due in less than one year	Due between one and five years	Total
	$	$	**$**
Trade and other payables	5,584	-	**5,584**
Borrowings	3,247	6,154	**9,401**
Lease liabilities	1,287	2,343	**3,630**
Onerous lease provisions	97	-	**97**
Undiscounted cash flows for financial liabilities	**10,215**	**8,497**	**18,712**
Purchase commitments for inventory and operating services	2,006	1,247	**3,253**
As at December 31, 2019	**12,221**	**9,744**	**21,965**
	$	$	$
Trade and other payables	9,726	-	9,726
Borrowings	1,680	3,736	5,416
Onerous lease provisions	186	544	730
Undiscounted cash flows for financial liabilities	11,592	4,280	15,872
Purchase commitments for inventory and operating services	4,335	-	4,335
As at December 31, 2018	15,927	4,280	20,207

c) Capital management

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

	2019	2018
	$	$
Borrowings	**8,190**	4,775
Shareholders' equity	**37,850**	40,407
Total capital	**46,040**	45,182

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

The Board of Directors reviews and approves any material transactions out of the ordinary course of business including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

23. Related Party Transactions

a) Divestiture of Coatings & Hydraulics division

On September 15, 2014, the Corporation divested its Coatings & Hydraulics division. The Corporation has entered into agreements indemnifying the purchaser with respect to certain leased premises associated with the Coatings & Hydraulics division. These remediation cost estimates are included in facility remediation provisions, as disclosed in note 10(d). A member of the Corporation's Board of Directors is the Chairman of, and holds an equity interest in, the purchaser of the Coatings & Hydraulics division.

b) Key management personnel

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

Compensation awarded to key management personnel for employee services for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
	$	$
Salaries and other short-term employee benefits	**1,143**	1,474
Share-based compensation	**117**	8
	1,260	1,482
Number of full-time equivalent senior corporate officers	**3.4**	3.9
Number of members of the Board of Directors	**4.0**	4.0

24. Segment Information

Geographic information

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

	2019		2018	
	Revenue	**PP&E & intangible assets**	Revenue	PP&E & intangible assets
	$	**$**	$	$
United States & Latin America	**23,976**	**12,403**	27,074	6,901
Middle East & Africa	**13,845**	**896**	9,293	833
Europe & Russia	**9,995**	**-**	7,028	-
Asia Pacific	**3,213**	**-**	3,506	-
Canada	**2,363**	**1,094**	2,175	99
	53,392	**14,393**	49,076	7,833

Revenue is attributed to a geographical region based on the location of the customer invoiced, which may not necessarily reflect the product's final destination.

During the years ended December 31, 2019 and December 31, 2018, no individual customer accounted for greater than 10% of total revenue.

25. Changes in Working Capital Balances

	2019	2018
Cash received from (used in) operating activities due to changes in non-cash working capital balances:	$	$
Trade and other receivables	**3,092**	(2,889)
Inventories	**4,993**	(6,260)
Other current assets	**41**	70
Other non-current receivables	**142**	(462)
Trade and other payables	**(4,621)**	3,401
Customer deposits	**546**	531
Provisions, excluding restructuring and facility remediation	**(34)**	(376)
	4,159	(5,985)

Additions to rental fleet during 2019 and 2018 were comprised of equipment capitalized from inventory.

26. Business combination

Effective October 2, 2019, the Corporation acquired all of the issued and outstanding partnership units of DrawWorks LP ("DrawWorks". DrawWorks designs, tests and sells tubular running technologies including a patented line of mud handling equipment, which includes the Autofill™ Casing Equipment, AutoValve™, MudSaver valves and Single Joint Compensator (SJC™) System. DrawWorks' most recent development – the DWCRT™ – is a modular mechanically operated casing running tool.

The Corporation applies the acquisition method to account for business combinations. The measurement of acquired assets and assumed liabilities is based on information available to the Corporation on the acquisition date. The estimate of fair value of acquired assets and assumed liabilities requires significant judgment, which is largely based on projected cash flows, discount rates and other market conditions that are present on the date of acquisition. The acquired assets and assumed liabilities are recognized at fair value on the date the Corporation obtains control in a business combination. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Key assumptions used in estimating the fair value of intangible assets acquired using a royalty relief model included management expectations of future outcomes and market conditions, including forecasted North American and international rig and well counts. Based on industry forecasts and other factors, average projected annual revenue growth over the next five years was estimated at 11.0% per annum. Royalty rates used in the model were based on industry data.

The weighted average growth rates used are consistent with forecasts included in industry reports. The royalty rates used in the model were calculated on an after-tax basis. The process for determining estimated fair value amounts are subjective and required management to exercise a significant amount of judgment in determining future growth rates, discount rates and tax implications.

The aggregate consideration given and fair values of net assets acquired in the acquisition of DrawWorks are as follows:

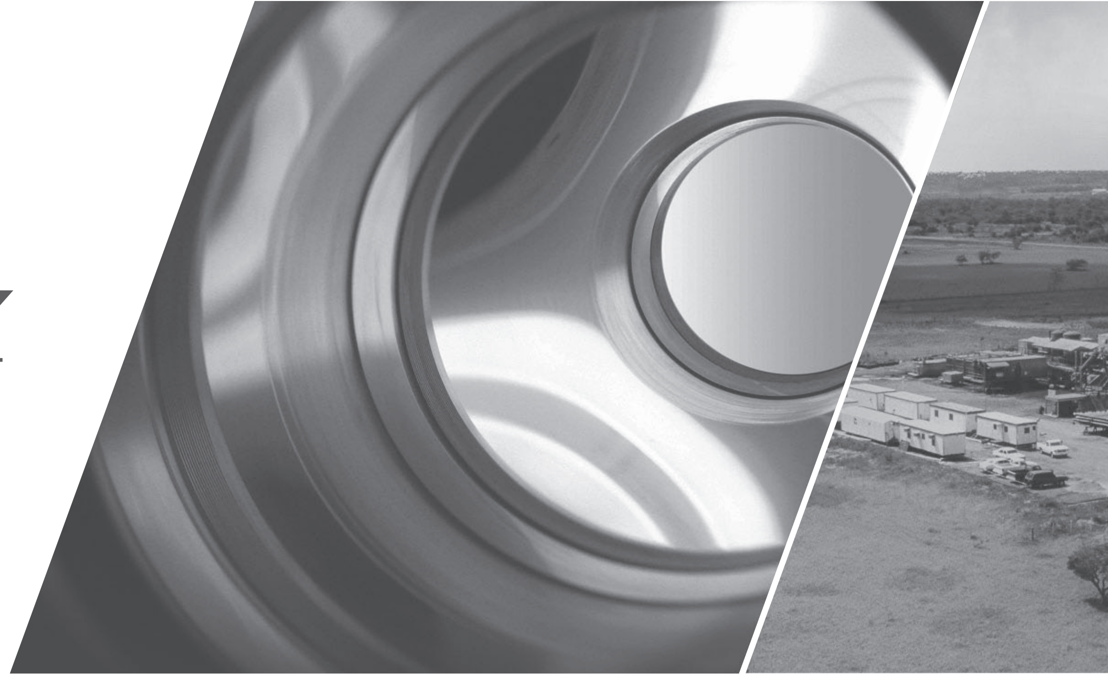
	October 2, 2019
	$
Consideration transferred:	
Cash transferred	7,851
Cash acquired	(2,028)
Promissory note	1,994
Total consideration	7,817
Identifiable assets acquired:	
Trade and other receivables	394
Inventories	2,070
Property, plant and equipment	246
Intangible assets	2,596
Goodwill	3,634
Identifiable liabilities assumed:	
Trade and other payables	654
Warranty provision	126
Customer deposits	343
Total net identifiable assets	7,817

The Corporation incurred due diligence and closing costs of $137 to complete the acquisition, and were included in total consideration transferred.

Goodwill is primarily attributable to the value created by integrating DrawWorks with McCoy's operations. Goodwill is expected to be deductible for tax purposes.

The Corporation took steps to integrate DrawWorks with the Corporation's consolidated operating results and, therefore, revenue and net earnings are not reported on a stand-alone basis. All amounts above are considered provisional and are subject to revision based on finalization of valuation procedures.

TSX: MCB



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