MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2014

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EXPLANATORY NOTES

The following Management's Discussion and Analysis of Financial Results ("MD&A"), dated May 12, 2014, 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, 2013 and 2012. The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 Corporation 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 acquisition strategy;
- McCoy Global's planned divestitures;
- the future development and growths prospects for the Corporation;
- the business strategy of the Corporation; and
- the competitive advantage of the Corporation.

Forward-looking statements respecting:

- the business opportunities for the Corporation are based on the views of management of the Corporation and current and anticipated market conditions; and
- the perceived benefits of the growth strategy and operating strategy of the Corporation 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 consider 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:

- inability to meet current and future obligations;
- inability to complete strategic acquisitions or divestitures;
- inability to implement the Corporation's business strategy effectively;
- access to capital markets;
- fluctuations in oil and gas prices;
- fluctuations in capital expenditures of our target market;
- competition for, among other things, labour, capital, materials and customers;
- interest and currency exchange rates;
- technological developments;
- political and economic conditions;
- inability to attract and retain key personnel.

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 ADDITIONAL GAAP MEASURES AND 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 additional GAAP measures presented under IFRS.

EBITDA is an additional GAAP measure presented under IFRS defined as "net earnings from continuing operations, before finance charges (net), income tax expense, depreciation, and amortization."

Adjusted EBITDA is a non-GAAP measure defined as "net earnings from continuing operations before finance charges (net), income tax expense, depreciation, amortization, impairment losses, net changes in fair value related to derivative financial instruments and share-based compensation".

The Corporation reports on EBITDA and adjusted EBITDA because they are key measures used by management to evaluate performance. Adjusted EBITDA is used in making decisions relating to distributions to shareholders and is used in monitoring compliance with debt covenants. The Corporation believes adjusted EBITDA assists investors in assessing McCoy Global's performance on a consistent basis without regard to impairment losses, net changes in fair value related to derivative financial instruments, depreciation, amortization and share-based compensation expense, which are non-cash in nature and can vary significantly depending on accounting methods or non-operating factors.

Adjusted EBITDA is not considered an alternative to net earnings 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. However, McCoy Global calculates adjusted EBITDA consistently from period to period. 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 statement of cash flows.

OUTLOOK AND FORWARD-LOOKING INFORMATION

McCoy Global is celebrating its 100th anniversary, which is not only a significant milestone in the Corporation's history but also a very important year in the evolution of McCoy Global. We have committed to a formal process to divest of the last of our non-strategic operations which will result in McCoy Global achieving its goal of becoming solely focused on providing innovative technology solutions to the global oil and gas industry. Our balance sheet remains strong and the proceeds from these divestitures will further allow us to invest in our organic growth initiatives and support potential strategic acquisitions.

Capital equipment demand within the oil and gas sector remains robust in most international regions and we are seeing a modest improvement in demand in the United States. As at March 31, 2014, we had near-record levels of backlog for capital equipment, with most orders scheduled to ship in the second and third quarter of 2014.

Our strategy to increase lifecycle revenues, which includes sales generated from replacement parts, consumables and technical support, remains on track. During the first quarter of 2014, we received our first shipment of inventory at our newest international facility located in Singapore.

In addition, significant organic growth opportunities are being realized within commercialized "we" product lines as well as in the existing conventional hydraulic powered Bucking Unit product line. The commercial launch of the weCATT™ (a wireless torque sub) continues to exceed expectations both in order demand and positive customer feedback. Increased wellbore depths and complexity have led to increased demand for premium connections in the market which we anticipate to have a positive impact on customer demand for increasingly technical product offerings.

During the first quarter of 2014, McCoy Global made significant progress towards the commercialization of two new innovative products, the weBUCK™ and weHOLD™ and introduced these products at the recent Offshore Technology Conference in Houston, Texas. The weBUCK™ will be the first commercially available electric bucking unit on the market, with several advantages over conventional hydraulic powered bucking units, including environmental benefits. The weHOLD™ will be McCoy's first handling tool. The handling tool product line is complementary to our power tong technologies, with similar customers and distribution channels. The weHOLD™ has the potential to be a "platform" product whereby the technology design can be developed into a multitude of sizes for both land and offshore application.

Looking forward, we also expect gross profit percentages to continue to benefit from a forecasted weaker Canadian dollar. This will be partially offset by the foreign exchange impact on our overhead expenses as a significant proportion of overhead expenses are denominated in United States dollars.

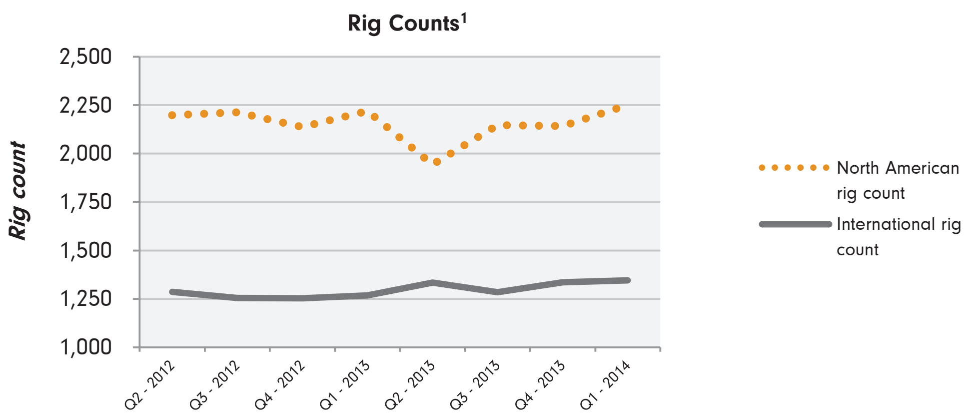
McCoy Global's continued investment in new product development, expanding our international footprint and implementing operational tools such as our Enterprise Resource Planning (ERP) platform, will result in long term value to our customers, employees and shareholders alike. With increased focus on developing the next products in our innovative "we" product line, and continuous improvement driven by our lean manufacturing initiatives and our ERP transition, we are positioning ourselves solidly to meet the challenges and opportunities of 2014 and beyond.

MARKET CONDITIONS

Active rig counts

As the number of working rigs fluctuates in response to market fundamentals, we expect the demand for capital equipment to fluctuate accordingly. McCoy Global's customers increase or decrease their spending on capital equipment in response to changes in drilling activity. Capital expenditures by our customers increase revenue for McCoy Global and active rig counts are an indicator of future capital requirements.

A summary of the past eight quarters of information with respect to rig counts is as follows[1]:



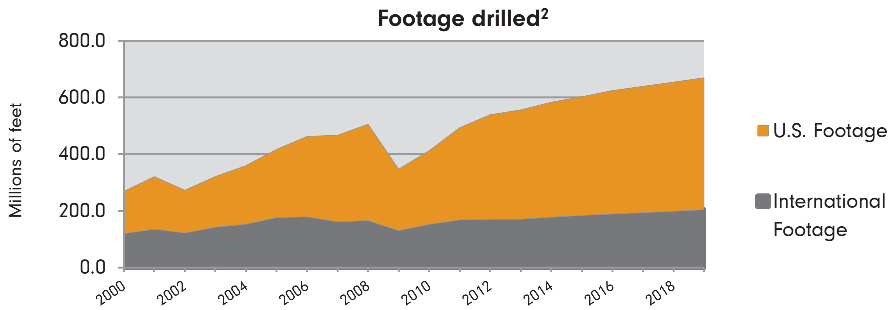
Our focus on growing international sales offers geographic diversification, increased lifecycle revenue and stability to North American land market activity swings that have historically been subject to cyclicality during the highs and lows of oil and gas prices. Many of our international offshore and deep-water Gulf of Mexico customers have longer planning timeframes and typically larger and more complex projects. This is resulting in higher specification tubular solutions which are less impacted by short-term fluctuations in the price of oil and gas. Fluctuations in the correlation arise when changes to the underlying business are made. For example, the impact of new product lines, increasing manufacturing capacity or improving market share may cause revenue growth to increase during periods of otherwise stable drilling activity. From quarter to quarter there may also be fluctuations in our revenue depending on the timing of when product is shipped and revenue is recognized.

[1]All references to rig counts can be accessed through Baker Hughes, Inc., http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-rigcountsintl
Spears & Associates *Drilling and Production Outlook*, December 2013; McCoy Corporation

Footage drilled

As unconventional drilling continues to grow, footage drilled and the use of premium connections is increasing. These factors have, and are expected to, positively impact the Corporation's revenue and earnings.

A summary of historical and forecasted footage drilled is set out below[2]:



McCoy Global is well positioned to meet technological challenges faced by unconventional markets due to our continued support of the new product development group. McCoy Global considers unconventional wellbore construction an opportunity.

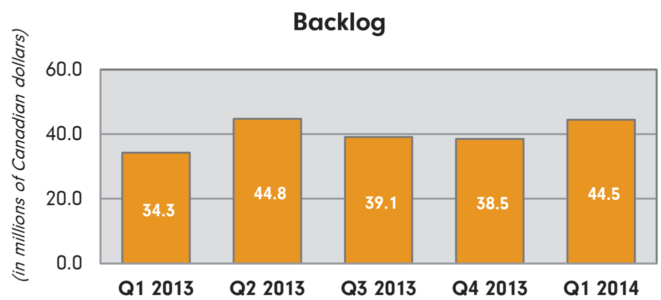
Backlog

Backlog is a measure of the amount of customer orders the Corporation has outstanding 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 work that has a high certainty of being performed 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, but many are 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 work. Expected delivery dates for orders recorded in backlog usually span from one to six months, and thus may not translate into revenue in the consecutive quarter. McCoy Global's backlog related to continuing operations as at March 31, 2014 totaled $44.5 million, an increase of $6.0 million or 16% from December 31, 2013.

[2] Spears & Associates *Drilling and Production Outlook*, December 2013

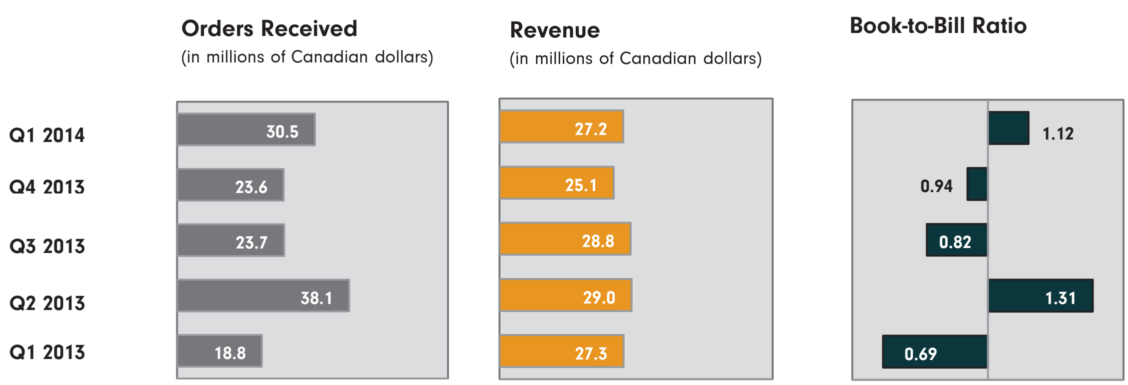
For the quarter, McCoy Global's continuing operations received net sales orders of $30.5 million (Q4 2013 - $23.6 million) and recorded revenue of $27.2 million (Q4 2013 - $25.1 million). The increase in backlog from December 31, 2013 is a result of the increase in high technology orders being received from Europe and Latin America, conventional torquing equipment orders received from the Middle East, and a solid increase in order demand for bucking units, most of which are scheduled to ship in the second and third quarter of 2014. Life-cycle products and services tend to make up a smaller portion of our backlog balance due to the fact that they move through backlog relatively quickly. However, as at March 31, 2014, there are several significant life-cycle orders included in our backlog and we expect to benefit from an increase in our lifecycle activity in line with our strategic initiatives.



Book-to-Bill Ratio

The book-to-bill ratio is a measure of the amount of net sales orders received to revenues recognized and billed in a set period of time. The ratio is an indicator of customer demand and sales order processing times. A ratio of above "1.0" indicates more net sales orders were received than orders shipped and billed. 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.

The book-to-bill ratio for the Corporation's continuing operations during the three months ended March 31, 2014 was 1.12 (December 31, 2013 – 0.94). Set out below are orders received, revenue and the book-to-bill ratio:



STRATEGY AND CORE BUSINESS VISION

OUR VISION IS TO BE THE TRUSTED PROVIDER OF INNOVATIVE PRODUCTS AND SERVICES FOR THE GLOBAL ENERGY INDUSTRY

McCoy Global is an innovator of tubular handling, assembly and measurement equipment used for making up threaded connections in the global oil and gas industry. Our mission is to become the leading global tubular make-up solutions provider. McCoy's continuing operations are engaged in the:

- Design, manufacture and distribution of innovative capital equipment used in both off-shore and land drilling markets to handle, make-up and measure tubular products such as casing, and to support this capital equipment through the sale of life-cycle products such as technical service, consumables (dies and inserts), and replacement parts;
- Repair, maintenance, and calibration of drilling and completions equipment; and
- Rental of drilling and completions equipment.

Historically, the Corporation was divided into two operating segments: Energy Products & Service ("EP&S") and Mobile Solutions.

The EP&S segment was comprised of two divisions: Drilling & Completions and Coatings & Hydraulics. The Drilling & Completions division forms the Corporation's continuing operations.

Management committed to a formal process to sell the Mobile Solutions segment and the Coatings & Hydraulics division in the fourth quarter of 2013 following a strategic decision to place greater focus on the Corporation's key competencies.

The Coatings & Hydraulics division provides a range of coatings and hydraulic manufacturing and repair services. Mobile Solutions manufactures specialized custom heavy-duty trailers primarily used in the oil and gas industry for pressure pumping, coil tubing and rig transport. Financial results related to these operations have been included in net earnings from discontinued operations in the consolidated financial statements.

Set out below are McCoy's principal operations:

Operating Name	Country of Incorporation	Ownership Interest	Former Operating Segment	Former Division
Continuing Operations				
McCoy Global Canada Corp.[3]	Canada	100%	EP&S	Drilling & Completions
McCoy Global S.à.r.l.	Luxembourg	100%	EP&S	Drilling & Completions
McCoy Global Singapore Pte. Ltd.	Singapore	100%	EP&S	Drilling & Completions
McCoy Global UK Ltd.	United Kingdom	100%	EP&S	Drilling & Completions
McCoy Global USA, Inc.[4]	United States	100%	EP&S	Drilling & Completions
Discontinued Operations				
Inotec Coating and Hydraulics Inc.	Canada	100%	EP&S	Coatings & Hydraulics
Peerless Limited	Canada	100%	Mobile	Trailers

Organic growth is being achieved in two ways:

- commercializing innovative new products by investing in research and development; and
- establishing four international sales and service centers to significantly increase international market share of life-cycle revenues, such as service, consumables and replacement parts and to generate incremental capital equipment sales in each region.

The Corporation has maintained a strong balance sheet to provide the flexibility to invest in working capital and innovation required to support our organic growth plans and an ability to pursue prudent and valuable acquisitions to strengthen our product and service offerings.

[3]On December 31, 2013, FARR Canada Corp. changed its name to McCoy Global Canada Corp.

[4]On December 31, 2013, Precision Die Technologies, L.L.C. merged into Superior Manufacturing & Hydraulics, Inc. ("Superior") and Superior changed its name to McCoy Global USA, Inc.

OPERATIONAL HIGHLIGHTS

FOR THE THREE MONTHS ENDED MARCH 31, 2014

WE CONTINUED TO INVEST IN OUR INTERNATIONAL LOCATIONS

Throughout the first quarter of 2014, we have continued to progress in developing our operations in Aberdeen and Singapore and began the process of establishing a physical presence in the Middle East.

Throughout the first quarter of 2014, we have dedicated significant resources towards ramping up operations and developing customer relationships at these locations, and we have laid the groundwork to capitalize on strong market demand in these regions throughout the remainder of 2014.

WE PROGRESSED IN THE DEVELOPMENT OF OUR INNOVATIVE "WE" PRODUCT LINE

During the quarter, we made progress in the development of two innovative new products; the weBUCK™ (an electric bucking unit) and the weHOLD™ (a casing handling tool system with flush mount spider, conventional spider and elevator configurations).

Subsequent to March 31, 2014, we introduced both the weBUCK™ and weHOLD™ at the Offshore Technology Conference in Houston, Texas. Both products were well received and have generated significant positive feedback. Additional product testing is required prior to commercialization of these products.

WE FOCUSED ON IMPROVING OUR NEWLY IMPLEMENTED ERP PLATFORM

In the fourth quarter of 2013, we completed the transition of McCoy Global to one ERP system. Throughout the first quarter of 2014, we worked diligently to further refine and optimize the ERP system as well as to continue to train and develop our people to utilize the system to its full potential. Post-implementation efforts will continue for the foreseeable future and over the longer term, this strategic investment will allow McCoy Global to realize operational efficiencies, provide timely management data and generate significant shareholder value.

WE ANNOUNCED A CHANGE TO OUR EXECUTIVE TEAM

We announced an important change to the executive leadership team by promoting Mr. Kenneth Watt to Senior Vice President, McCoy Global. McCoy Global's primary strategic organic growth priorities are to optimize customer responsiveness through the establishment of international sales and service centers and to commercialize innovative products. Mr. Watt's experience and proven record of success position McCoy Global to achieve these objectives.

FINANCIAL RESULTS

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

For the three months ended March 31 ($000 except per share amounts)	2014	2013
Total revenue from continuing operations	**27,220**	27,284
Earnings from continuing operations	**1,195**	1,579
Per common share – basic	**0.04**	0.06
Per common share – diluted	**0.04**	0.06
Earnings from discontinued operations (net of tax)	**1,326**	482
Net earnings	**2,521**	2,061
Per common share – basic	**0.09**	0.08
Per common share – diluted	**0.09**	0.08
Adjusted EBITDA	**4,179**	3,606
Per common share – basic	**0.15**	0.13
Per common share – diluted	**0.15**	0.13
Dividends per common share	**0.05**	0.05
Total assets	**126,450**	116,261
Total liabilities	**37,275**	37,168
Total non-current liabilities	**1,991**	11,079

EBITDA and adjusted EBITDA are calculated as follows:

For the three months ended March 31 ($000)	2014	2013
Net earnings from continuing operations	**1,195**	1,579
Income tax expense	**473**	759
Finance charges (net)	**101**	188
Depreciation	**904**	702
Amortization	**667**	246
EBITDA	**3,340**	3,474
Net changes in fair value related to derivative financial instruments	**873**	-
Share-based compensation	**(34)**	132
Adjusted EBITDA	**4,179**	3,606

REVENUE

($000 except percentages)	For the three months ended March 31 2014	2013	Change	% Change
Revenue	**27,220**	27,284	(64)	-

Revenue for the three months ended March 31, 2014 was $27.2 million, which was consistent with the comparative quarter.

Revenue was positively impacted by higher sales of recently commercialized "we" products, in addition to life-cycle products and services. The weakening of the Canadian dollar also positively impacted revenue as a large portion of the Corporation's revenue is denominated in United States currency. This was offset by a decrease in capital equipment sales resulting from the carryover of certain ERP challenges from the fourth quarter of 2013 in addition to continued improvement on certain engineering challenges disclosed in the prior quarter. These engineering challenges were rectified in the latter half of the quarter which resulted in improved performance as the quarter progressed. Subsequent to March 31, 2014 we have continued to see improved performance.

Geographic sales

The Corporation attributes revenue to a geographic location based on the location of the customer being invoiced. However, the geographic location where our equipment is ultimately placed into service may significantly differ from the customer invoice location. Many of our customers are large multinational companies which may place an order in the United States, or another country, and redistribute our equipment. Further, we invoice equipment to United States distributors who re-sell our equipment both domestically and internationally and we attribute this revenue to the United States in the table below. Geographic revenues are calculated on a consistent basis from period to period; however, users are cautioned that this information may not reflect the actual geographic location our equipment is placed into service.

International land and offshore drilling activity are robust in most geographic regions. As we grow our global footprint through international sales of capital equipment and sales of life-cycle products and technical service, additional revenue generation opportunities continue to develop.

($000 except percentages)	For the three months ended March 31 2014	% of total	2013	% of total
United States	**13,249**	**49%**	17,934	66%
Europe	**8,220**	**30%**	4,087	15%
Middle East & North Africa	**2,231**	**8%**	2,780	10%
South East Asia	**1,446**	**5%**	1,406	5%
Latin America	**1,195**	**5%**	368	1%
Canada	**879**	**3%**	709	3%
Total	**27,220**	**100%**	27,284	100%

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.

GROSS PROFIT

($000 except percentages)	For the three months ended March 31 2014	2013	Change	% Change
Gross profit	**11,362**	9,690	1,672	17%
Gross profit %	***42%***	*36%*	*6%*	

Gross profit percentage for three months ended March 31, 2014 was 42%, an increase of 6% from the 36% gross profit percentage realized in the comparative period.

Gross profit percentage was positively impacted by higher sales of technical products as well as the weakening of the Canadian dollar. The impact of operational efficiencies was also realized, including a reduction of head count.

Increased wellbore depths and complexity have led to increased demand for premium connections in the market which is anticipated to have a positive impact on customer demand for higher technical products.

GENERAL AND ADMINISTRATION

($000 except percentages)	For the three months ended March 31 2014	2013	Change	% Change
General and administration	**6,974**	5,670	1,304	23%
General and administration as a % of revenue	***26%***	*21%*	*5%*	

For the three months ended March 31, 2014, general and administrative expense totaled $7.0 million, a $1.3 million or 23% increase from the comparative period. As a percentage of revenue, general and administrative expense was 26% for the three months ended March 31, 2014, an increase of 5% from the comparative period.

The increase can be attributed to certain one-time charges and higher overhead expenses. Offsetting this to a certain extent were a reduction in headcount and other cost-cutting initiatives.

One-time charges include $0.8 million in severance in the first quarter of 2014. General and administration expenses were negatively impacted by foreign exchange as a significant portion of general and administration expenses are denominated in United States dollars. In addition, general and administrative expense includes $0.1 million of amortization expense related to ERP costs that were previously capitalized. Investments in our Aberdeen and Singapore operations also continued to impact general and administration expenses in the quarter.

The nature of our operations requires a minimum level of overhead support regardless of the size of the organization. As we continue to grow, our overhead structure will be able to support a larger organization without proportionately increasing general and administrative expense and, as a percentage of revenue, decline to more historic levels.

SALES AND MARKETING

($000 except percentages)	For the three months ended March 31 2014	2013	Change	% Change
Sales and marketing	**1,372**	1,118	254	23%
Sales and marketing as a % of revenue	***5%***	*4%*	*1%*	

Sales and marketing expense for the three months ended March 31, 2014 was $1.4 million, an increase of $0.3 million from the comparative period. As a percentage of revenue, sales and marketing expense was 5% for the three months ended March 31, 2014, an increase of 1% from the comparative period.

The increase in sales and marketing expense is primarily a result of $0.2 million in amortization expense related to certain intangible assets. Prior to the fourth quarter of 2013, these intangible assets were considered to have indefinite useful lives. This assumption was re-assessed as a result of the Corporation's re-branding to McCoy Global. In addition, a negative foreign exchange impact was realized as a significant portion of sales and marketing expenses are denominated in United States dollars.

RESEARCH AND DEVELOPMENT

($000 except percentages)	For the three months ended March 31 2014	2013	Change	% Change
Research and development expense	**440**	627	(187)	(30)%
Capitalized development expenditures	**693**	288	405	141%
Total research and development	**1,133**	915	218	24%
Total research and development expenditures as a % of revenue	**4%**	3%	1%	

Research and development for the three months ended March 31, 2014 was $1.1 million, an increase of 24% from the comparative period. The increase is a result of progress that was made during the quarter on several of our new products in the "we" product pipeline, including the weBUCK™ and weHOLD™. Total research and development expenditures, as a percentage of revenue, increased by 1% in comparison to the first quarter of 2013.

FINANCE CHARGES (NET)

($000 except percentages)	For the three months ended March 31 2014	2013	Change	% Change
Finance charges (net)	**101**	188	(87)	(46)%

For the three months ended March 31, 2014, finance charges (net) were $0.1 million which is a slight decrease from the comparative period by $0.1 million. The difference is a result of repaying the Corporation's debt in the fourth quarter of 2013.

OTHER GAINS AND LOSSES (NET)

($000 except percentages)	For the three months ended March 31 2014	2013	Change	% Change
Other (gains) and losses (net)	**807**	(251)	1,058	422%

Other gains and losses (net) consist primarily of the impact of foreign exchange and gains or losses resulting on the sale of capital equipment.

Included in other gains and losses (net) for the three months ended March 31, 2014 was a foreign exchange gain of $0.2 million which was offset by an unrealized loss of $0.9 million related to US dollar forward contracts and a loss on the disposal of capital equipment of $0.1 million. In the comparative period, substantially all of the $0.3 million gain was related to a foreign exchange gain.

ADJUSTED EBITDA

($000 except percentages)	For the three months ended March 31 2014	2013	Change	% Change
Adjusted EBITDA	**4,179**	3,606	573	16%
Adjusted EBITDA as a % of revenue	***15%***	*13%*	*2%*	

For the three months ended March 31, 2014, adjusted EBITDA increased by $0.6 million or 16% from the comparative period. As a percentage of revenue, adjusted EBITDA increased by 2%, to 15%, in comparison to the prior quarter.

Adjusted EBITDA was positively impacted by realizing a higher gross profit percentage as well as a reduction in headcount and other cost-cutting initiatives. Offsetting this was the impact of certain one-time charges and higher overhead expenses. One-time charges include $0.8 million in severance expense in the first quarter of 2014. Overhead expenses were further negatively impacted by foreign exchange as a significant portion of overhead expenses are denominated in United States dollars. In addition, we began to amortize ERP expenses that were previously capitalized and trade names that were previously classified as indefinite life intangibles resulting in $0.4 million of additional amortization expense. Our Aberdeen and Singapore operations also continued to impact overhead expenses as we develop these operations.

EARNINGS FROM DISCONTINUED OPERATIONS (NET OF TAX)

($000 except percentages)	For the three months ended March 31 2014	2013	Change	% Change
Earnings from discontinued operations (net of tax)	**1,326**	482	844	175%

Earnings from discontinued operations (net of tax) improved by $0.8 million or 175% from the comparative period. The increase in earnings is attributable to an increase in revenues and gross profit percentage and a decrease in overhead expenses.

SUMMARY OF QUARTERLY RESULTS

($000 except per share amounts)	**2014**	2013				2012		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Revenue	**27,220**	25,105	28,804	29,019	27,284	26,837	30,135	22,746
Earnings from continuing operations	**1,195**	372	3,458	2,351	1,579	2,298	4,187	1,700
Basic earnings per share from continuing operations	**0.04**	0.02	0.13	0.09	0.06	0.09	0.16	0.06
Diluted earnings per share from continuing operations	**0.04**	0.02	0.13	0.09	0.06	0.09	0.16	0.06
Earnings from discontinued operations (net of tax)	**1,326**	329	573	700	482	957	49	427
Net earnings	**2,521**	701	4,031	3,051	2,061	3,255	4,236	2,127
Basic earnings per share	**0.09**	0.03	0.15	0.11	0.08	0.12	0.16	0.08
Diluted earnings per share	**0.09**	0.03	0.15	0.11	0.08	0.12	0.16	0.08

In the fourth quarter of 2013, the Corporation transitioned its two largest manufacturing facilities to its new ERP platform, which had a significant impact on revenue and production. Fourth quarter profitability was further impacted by an additional provision for warranty that was accrued in order to fund identified product quality issues, by extensive engineering and customization required for a highly technical customer order and the impact of higher overhead expenses from international locations.

In the first quarter of 2014, the Corporation worked to refine and optimize its new ERP system as well as to address the engineering challenges encountered in the fourth quarter of 2013. These engineering challenges were addressed in the latter half of the quarter which resulted in improved performance as the quarter progressed. While significant improvements in gross profit percentage were realized, results from the first quarter of 2014 were negatively impacted by a one-time severance charge of $0.8 million ($0.02 per basic share, after-tax), an unrealized loss of $0.9 million related to US dollar forward contracts ($0.02 per basic share, after tax), an increase in amortization expense and the impact of higher overhead expenses from international locations.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

At March 31, 2014, the Corporation has $10.5 million in cash and cash equivalents and access to $50.0 million in available funds under its $50.0 million senior secured revolving credit facility. As of March 31, 2014 the Corporation has no debt. Selected cash flow and capitalization information is as follows:

For the three months ended March 31 ($000)	2014	2013
Cash used in operating activities	**(2,840)**	(5,983)
Cash used in investing activities	**(742)**	(278)
Cash generated from financing activities	**636**	155
Debt to equity ratio	**0.42 to 1**	0.47 to 1

Cash used in operating activities for the three months ended March 31, 2014 was $2.8 million compared to $6.0 million used from the same period in 2013. Cash flows used in operating activities have been impacted by working capital increases in both the current and comparative quarter. In the first quarter, working capital is impacted by the payment of accrued bonuses as well as a build-up of working capital to support higher revenues that have been typically recognized in the second and third quarters. In addition, in 2014 the Corporation realized higher adjusted EBITDA and there was a decrease of $1.0 million in income tax payments. Cash flows generated from discontinued operations decreased by $1.8 million.

Cash used in investing activities for the three months ended March 31, 2014 was $0.7 million compared to $0.3 million in the comparative period. Higher "we" product line development expenses were offset by lower capital equipment purchases. In addition, in the comparative quarter the Corporation sold its Houston technical service center. Cash used in discontinued investing activities remained consistent with the same period in 2013.

Cash flows generated in financing activities for the three months ended March 31, 2014 were $0.6 million compared to $0.2 million in the comparative period. The increase is attributable to additional proceeds received from the issuance of share capital on the exercise of options offset by transaction costs related to the Corporation restating and amending its credit facility.

Management believes that with the projected level of operations for 2014 and the availability of cash and cash equivalents along with funds available under the established credit facility, McCoy Global will have sufficient capital to fund its operations and strategic growth. Historically, capital expansion has been financed by cash provided from operating activities, or by utilizing existing credit facilities. Management may also consider raising proceeds through equity or debt offerings. Management consistently monitors economic conditions and will manage capital spending accordingly. The debt to equity ratio may fluctuate as McCoy Global completes acquisitions and alternate forms of financing are used.

OTHER FINANCIAL INFORMATION

OUTSTANDING SHARE DATA

As at May 15, 2014 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	**27,624,238**
Convertible equity securities:	
Stock options	**933,338**

The stock options are exercisable into an equal number of common shares.

Dividends

A summary of historical dividend information is as follows:

Dividend declared	Dividend paid	Amount per common share
March 14, 2014	April 14, 2014	$0.05
December 10, 2013	December 31, 2013	$0.05
September 26, 2013	October 25, 2013	$0.05
May 16, 2013	June 14, 2013	$0.05
March 14, 2013	April 12, 2013	$0.05
December 12, 2012	December 31, 2012	$0.05
August 17, 2012	September 17, 2012	$0.05
May 17, 2012	June 15, 2012	$0.05
March 22, 2012	April 12, 2012	$0.03

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has evaluated whether there were changes in our Internal Controls over Financial Reporting (ICFR) during the three month period ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our ICFR. There has been no significant change in our risk factors from those described in our 2013 Annual Report. Please see page 30 of McCoy Global's 2013 Annual Report for a discussion of internal controls over financial reporting and disclosure controls.

There have been no significant changes in the following items from those described in our 2013 Annual Report. Please refer to the page numbers listed below from McCoy Global's 2013 Annual Report:

- Financial instruments and financial risk management – pages 23-25;
- Capital management – page 26;
- Contractual obligations and off balance sheet arrangements – page 27;
- Related party transactions – pages 27-28;
- Critical accounting estimates and judgements – pages 28-29; and
- Critical risks and uncertainties – pages 31-34.

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.

OTHER INFORMATION

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2013 is available on SEDAR at www.sedar.com.