MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2013

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EXPLANATORY NOTES

The following Management's Discussion and Analysis of Financial Results ("MD&A"), dated March 13, 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, 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's acquisition strategy;
- McCoy'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; and
- the risk factors set forth under "Risk Factors".

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". For comparative purposes, in financial disclosures previous to the first quarter of 2013 'adjusted EBITDA' was referred to as "EBITDAS".

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'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'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 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

In 2014, McCoy Global will celebrate its 100th anniversary, which is not only a monumental milestone in the Corporation's history but also a very important year in the evolution of McCoy. We plan to divest of the last of our non-core operations which will result in McCoy achieving its goal of becoming solely focused on providing innovative technology solutions to the global oil and gas industry. McCoy will also continue with its organic growth strategy of making investments in new product development and establishing our international sales and service centers.

Although we ended 2013 with a challenging quarter, the operational business plan and growth strategy remain positive. In 2013, we increased both revenue and gross profit and completed many important initiatives that will deliver long-term value to our shareholders. In 2014, we anticipate continuing to grow organically as well as through acquisition. We will also benefit from a forecasted weaker Canadian dollar and will look to reduce certain North American overhead expenses, all of which should contribute to stronger net earnings as the year progresses. Our plan to divest of our Mobile Solutions segment and Coatings & Hydraulics division will provide additional capital and focus our management team on continuing operations. Our balance sheet is strong and the proceeds from these divestitures will further allow us to invest in our organic growth initiatives and support potential strategic acquisitions.

Product demand remains strong in offshore and international markets, while North America land markets remain soft. In 2014, significant organic growth opportunities exist within commercialized "we" product lines as well as in the existing Bucking Unit product line. The commercial launch of the weCATT™ (a wireless torque sub) is exceeding expectations both in order demand and positive customer feedback. Increased wellbore depths and complexity have led an increased demand for premium connections in the market which is anticipated to have a positive impact on customer demand for our software-related product offerings.

The Corporation is on track to commercialize two new innovative products, the weBUCK™ and weHOLD in 2014. The weBUCK™ will be the first commercially available electric bucking unit on the market, with several advantages over conventional hydraulic powered bucking units. The weHOLD will be McCoy's first handling tool. The handling tool product line is a complimentary product to our power tong product line, 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.

Building upon the opening of two international sales and service centers in 2013, we now set our sights on opening additional centers in the Middle East and Latin America. These centers will allow us to continue to expand our international footprint and optimize customer responsiveness. We will remain focused on growing higher margin life-cycle revenues, including service, consumables and replacement parts, at these locations.

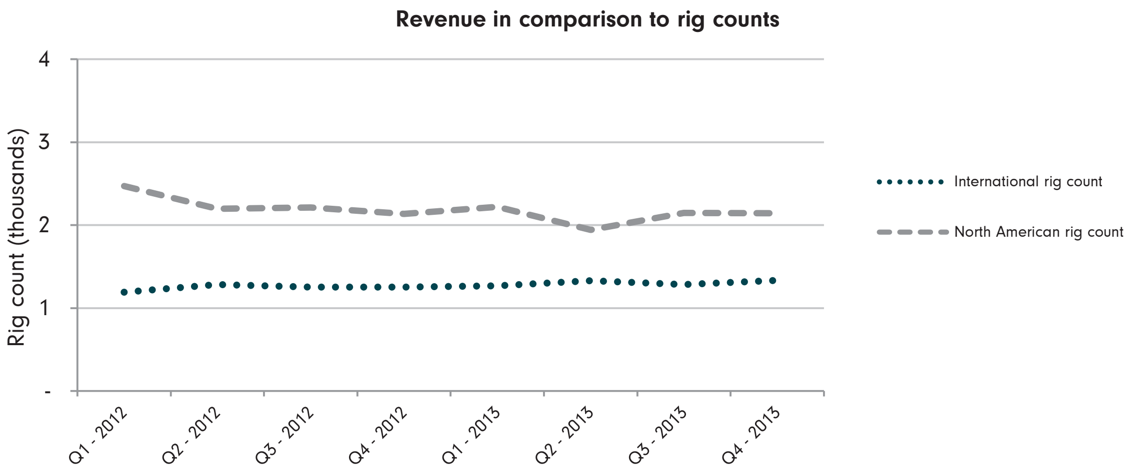
McCoy's continued investment in new product development, expanding our international footprint and implementing operational tools such as our Enterprise Resource Planning (ERP) platform, will result in long term value to our customers, employees and shareholders alike. With increased focus on developing 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'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 and the 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 as well as some stability to a North American revenue stream that has historically been subject to the highs and lows of the price of energy. Many of our international and offshore customers have longer lead times and are less impacted by short-term fluctuations in the price of oil, particularly those operating offshore.

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.

Unconventional Drilling

As unconventional drilling continues to grow, the wellbore lengths and use of premium connections trend towards increasing. These factors have and will in the future positively impact the Corporation's revenue and earnings.

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.

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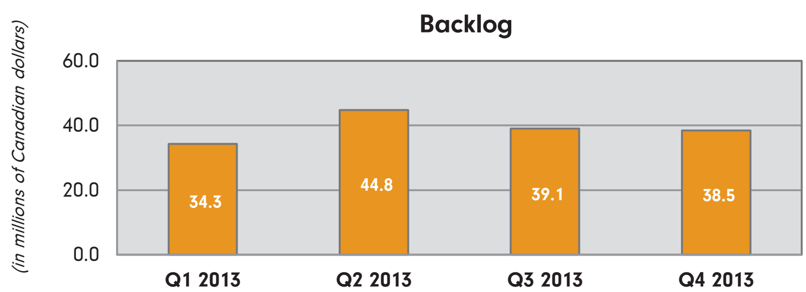
[1] All references to rig counts can be accessed through Baker Hughes, Inc., http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-rigcountsintl

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's backlog related to continuing operations as at December 31, 2013 totaled $38.5 million, a decrease of $0.6 million or 2% from September 30, 2013. McCoy began reporting backlog in the first quarter of 2013.

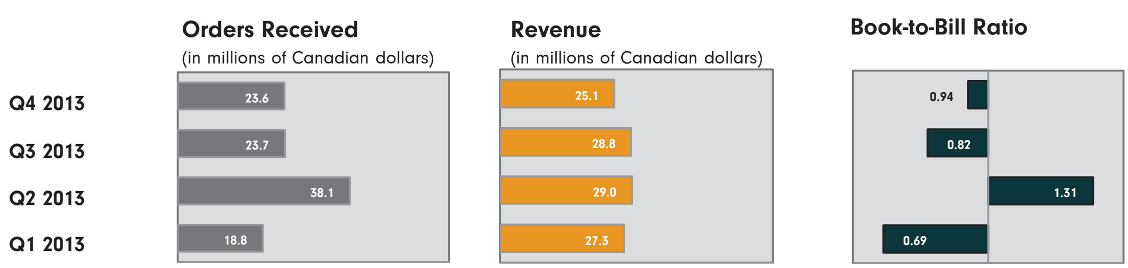
For the quarter, McCoy's continuing operations received net sales orders of $23.6 million (Q3 2013 - $23.7 million) and recorded revenue of $25.1 million (Q3 2013 - $28.8 million). The slight decline in backlog from September 30, 2013 is a result of fewer orders being received over the fourth quarter offset by lower revenue.



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 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 December 31, 2013 was 0.94 (September 30, 2013 – 0.82). The Corporation began reporting the book-to-bill ratio in the first quarter of 2013. 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 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, McCoy 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.[2]	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.[3]	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 by:

- commercializing innovative new products by investing in research and development;
- establishing four international sales and service centers to significantly enhance customer responsiveness, 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; and
- deploying a global equipment rental business.

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.

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

[3]On December 31, 2013, Precision Die Technologies, L.L.C. merged with Superior Manufacturing & Hydraulics, Inc. and changed its name to McCoy Global USA, Inc.

OPERATIONAL HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2013

WE TOOK THE FINAL STEPS TO BECOMING A PURE PLAY

We committed to a formal process to divest of our non-core businesses, which includes our Mobile Solutions segment and Coatings & Hydraulics division. These divestitures are an important step in focusing McCoy Global to become the leading global tubular handling equipment and solutions provider

WE PROUDLY INTRODUCED OUR NEW BRAND – "MCCOY GLOBAL"

Rebranding our subsidiaries and products as "McCoy Global" is an important step in growing our brand with our customers. In 2013, we extended our reach in key global markets and our new name more accurately reflects our strategy, market position and geography.

WE CONTINUE TO INVEST IN INCREASING LIFE-CYCLE PRODUCT REVENUES AND OPTIMIZING CUSTOMER RESPONSIVENESS

We opened international sales and service centers in Aberdeen, Scotland and in Singapore. These centers are an integral component of McCoy's growth strategy to increase both our international footprint and product life-cycle revenues. The centers will enable us to more efficiently meet the service needs of our international customers and generate additional revenue while expanding the McCoy Global brand.

We incorporated McCoy Global S.à.r.l. and began to lay the ground work to open additional international sales and service centers in the Middle East and Latin America. These service centers will operate as branches of McCoy Global S.à.r.l.

During the year, the expansion of our dies and inserts manufacturing facility in Louisiana was also completed. This increased manufacturing capacity will allow our dies and inserts facilities to keep up with the anticipated increase in demand for consumables from our international sales and service centers.

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

Recent product launches in our innovative "we" product line gained momentum. Our weCATT™, a wireless torque sub, has been very well received by our customers and has generated strong order demand throughout 2013. We continue to develop sales channels for our weTORQ™, an iron roughneck, and weVERIFY™, a remote calibration tool, and have received excellent customer feedback on their performance.

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

We transitioned our remaining operations onto McCoy's ERP platform

A significant initiative was completing the transition of McCoy Global to one ERP system. Although the transition did not proceed as smoothly as we anticipated, we are confident the initiative will provide the Corporation with a platform to achieve its growth initiatives and realize operational efficiencies in years to come.

We announced promotions to our executive team

Subsequent to year-end an important change to the executive leadership team was made announcing the promotion of Mr. Kenneth Watt to Senior Vice President, McCoy Global. McCoy'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.

In the second quarter, it was announced that Mr. Jacob Coonan was promoted to the position of Chief Financial Officer. Mr. Coonan's financial acumen and leadership will support McCoy Global in the achievement of its strategic goals.

We repaid our borrowings

We repaid the balance drawn against the Corporation's revolving credit facility. The strength of our balance sheet will allow us to fund our organic growth initiatives and support potential strategic acquisitions.

FINANCIAL RESULTS

SUMMARY OF CONSOLIDATED ANNUAL RESULTS

For the year ended December 31 ($000 except per share amounts)	2013	2012	2011
Total revenue from continuing operations	**110,212**	101,847	71,984
Net earnings from continuing operations	**7,760**	9,859	5,311
Per common share – basic	**0.29**	0.37	0.20
Per common share – diluted	**0.28**	0.37	0.20
Net earnings	**9,844**	11,772	11,924
Per common share – basic	**0.37**	0.44	0.45
Per common share – diluted	**0.36**	0.44	0.44
Adjusted EBITDA	**17,014**	18,525	11,179
Per common share – basic	**0.63**	0.70	0.42
Per common share – diluted	**0.62**	0.69	0.42
Dividends per common share	**0.20**	0.18	0.10
Total assets	**120,467**	117,683	107,441
Total liabilities	**34,464**	40,187	37,072
Total non-current liabilities	**1,919**	11,067	7,363

EBITDA and adjusted EBITDA are calculated as follows:

For the year ended December 31 ($000)	2013	2012	2011
Net earnings from continuing operations	**7,760**	9,859	5,311
Income tax expense	**3,324**	3,854	2,216
Finance charges (net)	**677**	636	259
Depreciation	**3,093**	2,335	1,810
Amortization	**1,163**	1,008	872
EBITDA	**16,017**	17,692	10,468
Impairment of assets held for sale	**-**	122	226
Net changes in fair value related to derivative financial instruments	**302**	-	-
Share-based compensation	**695**	711	485
Adjusted EBITDA	**17,014**	18,525	11,179

REVENUE

($000 except percentages)	2013	2012	Change	% Change
	For the year ended December 31			
Revenue	**110,212**	101,847	8,365	8%

Revenue for the year ended December 31, 2013 was $110.2 million, an increase of $8.4 million, or 8%, from 2012. Increases in life-cycle revenues generated from service, replacement parts, and consumables in addition to revenues generated for recent "we" product launches are the primary factors for the overall increase in revenue. While we experienced strong demand for capital equipment from offshore and international markets, this was offset by lower demand from the North American land market.

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 remains strong 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. Revenue attributed to the United States increased from 2012; however, we filled several orders for which our customers subsequently redistributed the equipment sold to international markets. We have experienced revenue growth in Europe and Latin America, while political turmoil in the Middle East has impacted revenues in this region.

($000 except percentages)	2013	% of total	2012	% of total
	For the year ended December 31			
United States	**63,759**	**58%**	57,531	56%
Europe	**20,752**	**19%**	15,069	15%
Middle East & North Africa	**11,236**	**10%**	12,540	12%
South East Asia	**6,693**	**6%**	10,939	11%
Canada	**4,123**	**4%**	3,864	4%
Latin America	**3,649**	**3%**	1,904	2%
Total	**110,212**	**100%**	101,847	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

	For the year ended December 31			
($000 except percentages)	2013	2012	Change	% Change
Gross profit	**40,808**	37,697	3,111	8%
Gross profit %	***37%***	*37%*	*-%*	

Gross profit percentage for the year ended December 31, 2013 was 37%, consistent with 2012.

Despite an increase in higher margin life-cycle product sales throughout the year, profitability in 2013 was negatively impacted by events that occurred in the fourth quarter.

In the fourth quarter we implemented our new ERP system at our two largest manufacturing facilities. Significant management resources were diverted from key operational assignments which impacted production. As well, an additional provision for warranty to fund certain identified product quality issues was recorded. Identified quality issues have been isolated to a specific number of product models and a solution has been implemented.

The weakening of the Canadian dollar has also had a positive impact on the gross profit of our Canadian manufacturing operations where input costs are primarily in Canadian currency, whereas revenues are in United States currency.

ADJUSTED EBITDA

	For the year ended December 31			
($000 except percentages)	2013	2012	Change	% Change
Adjusted EBITDA	**17,014**	18,525	(1,511)	(8%)
Adjusted EBITDA as a % of revenue	***15%***	*18%*	*(3%)*	

For the year ended December 31, 2013, adjusted EBITDA decreased by $1.5 million or 8% from the prior year. As a percentage of revenue, adjusted EBITDA fell by 3%, to 15%, in comparison to 2012.

On an annual basis, revenue and gross profit increased year over year; however, these increases were offset by higher general and administrative expenses.

Throughout 2013, we continued investing in growing our business. We opened two of four planned international sales and service centers; we made continued progress on the development of innovative new "we" products; and we transitioned our two largest manufacturing operations onto our ERP platform. We also added management resources, which, when combined with other ongoing initiatives increased overhead expenses and negatively impacted adjusted EBITDA.

In the coming year, we will continue investing resources to fully refine our ERP system in order to realize its full benefit. In the long term, this investment will allow McCoy to realize operational efficiencies, provide timely management data and generate significant shareholder value.

GENERAL AND ADMINISTRATION

($000 except percentages)	For the year ended December 31 2013	2012	Change	% Change
General and administration	**22,224**	15,852	6,372	40%
General and administration as a % of revenue	***20%***	*16%*	*4%*	

For the year ended December 31, 2013, general and administrative expense totaled $22.2 million, a $6.4 million or 40% increase in comparison to the prior year. As a percentage of revenue, general and administrative expense was 20% for the year ended December 31, 2013, or an increase of 4% from the comparative period.

The Corporation made significant investments to support its growth in the mid to latter half of 2012, including key management hires and investments in information technology support and infrastructure. Accordingly, the comparative period results reflect only a portion of the annual cost.

In the second half of 2013, McCoy opened two international sales and service centers in Aberdeen and Singapore. In the short-term these centers required the Corporation to absorb start-up costs associated with establishing a local footprint and growing our global market presence. In the coming year, we plan to continue efforts to establish two additional international sales and service locations. These new locations, along with the two locations we established in 2013, will incur startup costs while they are being set up and for a period of time thereafter. Additional efforts and resources will also be required to support our ERP system post-implementation. Although the ERP system is currently fully operational in supporting key functions in our daily operations, resources will still be required to optimize certain functionalities within the ERP system as well as to continue to train and develop our people to utilize the ERP system to its full potential.

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 year ended December 31 2013	2012	Change	% Change
Sales and marketing	**5,851**	6,030	(179)	(3%)
Sales and marketing as a % of revenue	***5%***	*6%*	*(1%)*	

Sales and marketing expense for the year ended December 31, 2013 was $5.9 million, a decrease of $0.2 million from the prior year. As a percentage of revenue, sales and marketing expense was 5% for the year ended December 31, 2013, a decrease of 1% from 2012. Although revenues in 2013 increased, the $0.2 million decline in sales and marketing expense can be attributable to efforts made to restructure aspects of our sales and marketing team.

RESEARCH AND DEVELOPMENT

($000 except percentages)	For the year ended December 31 2013	2012	Change	% Change
Research and development expense	**1,504**	1,050	454	43%
Capitalized development expenditures	**1,559**	1,528	31	2%
Total research and development	**3,063**	2,578	485	19%
Total research and development expenditures as a % of revenue	**3%**	3%	-	

Research and development for the year ended December 31, 2013 was $3.1 million, an increase of 19% from the comparative period. The increase is a result of progress we made during the year on several of our new products in the "we" product pipeline. We also invested in developing a more structured and process driven research and development team, which required some investment in resources and infrastructure. Total research and development expenditures, as a percentage of revenue, were consistent with the prior year.

FINANCE CHARGES (NET)

($000 except percentages)	For the year ended December 31 2013	2012	Change	% Change
Finance charges (net)	**677**	636	41	6%

For the year ended December 31, 2013, finance charges (net) were $0.7 million which is consistent with the comparative period.

OTHER GAINS AND LOSSES (NET)

($000 except percentages)	For the year ended December 31 2013	2012	Change	% Change
Other (gains) and losses (net)	**(532)**	416	(948)	(228%)

Other gains and losses (net) consist primarily of foreign exchange gains on the Corporation's United States denominated financial instruments held by Canadian entities.

Included in other gains and losses (net) for the year ended December 31, 2013 was a foreign exchange gain of $0.8 million which was partially offset by an unrealized loss of $0.3 million related to US dollar forward contracts. In the comparative period, substantially all of the $0.4 million loss was related to a foreign exchange loss.

EARNINGS FROM DISCONTINUED OPERATIONS (NET OF TAX)

($000 except percentages)	For the year ended December 31 2013	2012	Change	% Change
Earnings from discontinued operations (net of tax)	**2,084**	1,913	171	9%

Earnings from discontinued operations (net of tax) improved by $0.2 million or 9% from the prior year. Although the revenue of discontinued operations declined in 2013, the increase in earnings is attributable to an increase in gross profit percentage and a decrease in overhead expenses.

SUMMARY OF CONSOLIDATED FOURTH QUARTER RESULTS

For the three months ended December 31 ($000 except per share amounts)	**2013**	2012
Total revenue	**25,105**	26,837
Net earnings from continuing operations	**372**	2,298
Per common share – basic	**0.02**	0.09
Per common share – diluted	**0.02**	0.09
Net earnings	**701**	3,255
Per common share – basic	**0.03**	0.12
Per common share – diluted	**0.03**	0.12
Adjusted EBITDA	**2,317**	5,084
Per common share – basic	**0.09**	0.19
Per common share – diluted	**0.08**	0.19

EBITDA and adjusted EBITDA are calculated as follows:

For the three months ended December 31 ($000)	**2013**	2012
Net earnings from continuing operations	**372**	2,298
Income tax expense	**216**	1,086
Finance charges (net)	**113**	451
Depreciation	**878**	843
Amortization	**339**	147
EBITDA	**1,918**	4,825
Impairment of assets held for sale	**-**	122
Net changes in fair value related to derivative financial instruments	**302**	-
Share-based compensation	**97**	137
Adjusted EBITDA	**2,317**	5,084

SUMMARY OF QUARTERLY RESULTS

	For the three months ended December 31			
($000 except percentages)	**2013**	2012	Change	% Change
Revenue	**25,105**	26,837	(1,732)	(6%)
Gross profit	**8,082**	9,022	(940)	(10%)
Gross profit %	*32%*	*34%*	*(2%)*	
General and administration	**5,850**	3,381	2,469	73%
General and administration as a % of revenue	*23%*	*13%*	*10%*	
Sales and marketing	**1,610**	1,480	130	9%
Sales and marketing as a % of revenue	*6%*	*6%*	-	
Research and development	**255**	231	24	10%
Finance charges (net)	**113**	451	(338)	(75%)
Other (gains) and losses (net)	**(334)**	95	(429)	(452%)
Adjusted EBITDA	**2,317**	5,084	(2,767)	(54%)
Adjusted EBITDA as a % of revenue	*9%*	*19%*	*(10%)*	

Although we ended 2013 with a challenging quarter, the operational business plan and growth strategy remain positive. During the fourth quarter, the Corporation transitioned its two largest manufacturing facilities to its new ERP platform. This had a significant impact on revenue and production as management resources were diverted from key operational assignments as a result of the project.

As previously disclosed in 2013, the Corporation accepted a large customer order of hydraulic power tongs destined for Latin America. This order required extensive engineering and customization, as well as significant resources and manufacturing capacity at the Corporation's Broussard, Louisiana facility. When compounded by the resource constraints related to the ERP implementation, the timing of delivery of this order was impacted. As a result, a significant amount of the manufacturing work performed in the fourth quarter remains in work-in-process as at December 31, 2013.

Profitability was further impacted by an additional provision for warranty that was accrued in order to fund identified product quality issues. These quality issues have been isolated to a small number of product models and a solution has been implemented.

The increase in general and administration expense for the fourth quarter of 2013, relates to several factors including the international sales and service centers that McCoy opened in the second half of 2013. Establishing these operations required additional travel costs, legal and advisory fees, and information technology infrastructure costs to be incurred. In the short-term, these centers will require the Corporation to absorb further startup costs before they become fully established. In addition, the Corporation realized higher management costs as the full impact of additional management resources that were hired was realized.

($000 except per share amounts)	2013				2012			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	**25,105**	28,804	29,019	27,284	26,837	30,135	22,746	22,129
Net earnings from continuing operations	**372**	3,458	2,351	1,579	2,298	4,187	1,700	1,674
Net earnings	**701**	4,031	3,051	2,061	3,255	4,236	2,127	2,154
Basic earnings per share from continuing operations	**0.02**	0.13	0.09	0.06	0.09	0.16	0.06	0.06
Basic earnings per share	**0.03**	0.15	0.11	0.08	0.12	0.16	0.08	0.08
Diluted earnings per share from continuing operations	**0.02**	0.13	0.09	0.06	0.09	0.16	0.06	0.06
Diluted earnings per share	**0.03**	0.15	0.11	0.08	0.12	0.16	0.08	0.08

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

At December 31, 2013, the Corporation has $13.3 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 December 31, 2013, no amounts had been drawn and were outstanding under this facility.

Selected cash flow and capitalization information is as follows:

For the year ended December 31 ($000)	**2013**	2012
Cash generated from operating activities	**12,188**	5,321
Cash used in investing activities	**(7,761)**	(10,400)
Cash used in financing activities	**(13,332)**	(1,716)
Debt to equity ratio	**0.40 to 1**	0.52 to 1

Cash generated from operating activities for the year ended December 31, 2013 was $12.2 million compared to $5.3 million generated from the year ended December 31, 2012. Cash flows generated from continuing operating activities decreased by $4.4 million, which is attributable to a $1.7 million decrease in EBITDA, an increase of $1.9 million in income tax payments and $1.0 million of higher working capital investment. Cash flows generated from discontinued operations increased by $11.2 million as a result of higher EBITDA and a reduction in working capital in response to lower revenues in Mobile Solutions.

Cash used in investing activities for the year ended December 31, 2013 was $7.8 million, and primarily relates to purchases of property, plant and equipment and capital expenditures on the development of our “we” product line as well as our enterprise resource planning system. Cash flows used in continuing investing activities decreased by $1.2 million from the year ended December 31, 2012. The decrease is attributable to lower property, plant and equipment purchases in 2013 and the proceeds from the sale of our Houston technical service center building, which were partially offset by increased capital spending on the development of our “we” product line and ERP system. Cash used in discontinued investing activities decreased by $1.4 million as a result of decreased purchases of property, plant and equipment.

Cash flows used in financing activities for the year ended December 31, 2013 were $13.3 million compared to $1.7 million in prior year. In 2012, in conjunction with the execution of a new credit facility, $3.7 million of net borrowings were made. In 2013, the Corporation repaid the total amount drawn against the facility, which was $9.4 million. An additional $1.6 million of cash was generated from the issuance of share capital on the exercise of stock options. This was offset by an additional $0.6 million of dividends paid as a result of an increase to the Corporation’s quarterly dividend partway through 2012.

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 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 completes acquisitions and alternate forms of financing are used.

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.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

At initial recognition non-derivative financial instruments are measured at fair value and are classified as one of the following: held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

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

Financial Instrument	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized Cost
Trade and other receivables	Loans and receivables	Amortized Cost
Trade and other payables	Other financial liabilities	Amortized Cost
Borrowings	Other financial liabilities	Amortized Cost

At the reporting date, the Corporation did not have any non-derivative financial assets classified as held-for-trading, available-for-sale or held-to-maturity.

- **LOANS AND RECEIVABLES**

  Loans and receivables 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, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- **OTHER FINANCIAL LIABILITIES**

  Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Borrowings are initially recognized at fair value, net of any transaction costs incurred. Subsequently, borrowings are measured at amortized cost using the effective interest method. Borrowings are classified as current liabilities if payment is due within twelve months.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation holds foreign currency forward contracts, to reduce its exposure to movements in foreign currency exchange rates. Foreign exchange forward contracts are used by the Corporation to manage foreign exchange exposures, consisting mainly of US dollar exposures, resulting from anticipated transactions denominated in foreign currencies.

All derivative financial instruments are classified as held-for-trading and are initially recognized at fair value, with any directly attributable transaction costs recognized in earnings or loss as they are incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value with changes in fair value recognized in earnings or loss.

The fair value of derivative financial instruments reflects changes in the foreign exchange rates. Fair value is determined based on exchange or over-the-counter price quotations by reference to bid or asking price, as appropriate, in active markets. Fair value amounts reflect management's best estimates using external readily observable market data, such as future prices, foreign exchange rates and discount rates for time value.

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 that 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 uses 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 currencies of the Corporation's subsidiaries. Foreign currency risk is primarily with the US dollar. The Corporation uses forward exchange contracts with maturities of less than one year from the reporting date to manage the foreign currency risk.

Based on the Corporation's US dollar denominated monetary assets and liabilities at December 31, 2013, the Corporation estimates that a one-cent change in the value of the US dollar would increase or decrease net earnings, net of tax, by $nil (2012 - $0.1 million).

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. In 2013, the Corporation is primarily exposed to interest rate risk on cash and cash equivalents. In 2012, the Corporation was primarily exposed to interest rate risk on cash and cash equivalents and borrowings, all of which have a component of interest that is variable. The Corporation estimates that a change of 100 basis points in the interest rate as at December 31, 2013, would have increased or decreased net earnings, net of tax, for the year ended December 31, 2013, by $nil (2012 - $0.1 million).

(ii) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Corporation's credit risk exposure is primarily through its cash and cash equivalents, derivative financial instruments, and trade receivables.

The credit risk associated with cash and cash equivalents is minimized by ensuring that these financial assets are held primarily with Canadian chartered banks and Schedule I US financial institutions. The Corporation's derivative financial instruments are entered into with a Canadian chartered bank as the counterparty.

The Corporation manages its trade receivable credit risk by following a program of credit evaluation, obtaining deposits on certain orders and by limiting the amount of customer credit. Further, on international sales, receipt of payment is often required prior to shipping. Impairment provisions are made for potential losses that may be incurred at the statement of financial position date.

The aging analysis of trade receivables is as follows:

As at December 31 ($000)	**2013**	**2012**
	$	**$**
0 to 30 days	**4,857**	7,922
31 to 60 days	**3,844**	2,610
61 to 120 days	**4,171**	3,018
Over 120 days	**920**	3,010
	13,792	16,560
Provisions for impairment	**-**	(85)
Trade receivables	**13,792**	16,475
Other receivables	**366**	782
Total trade and other receivables	**14,158**	17,257

The movement in the Corporation's provision for impairment of trade receivables is as follows:

For the years ended ($000)	**2013**	**2012**
	$	**$**
Provision for impairment, as at January 1	**85**	265
Impairment loss recognized	**-**	30
Amounts written off	**-**	(39)
Amounts recovered	**(60)**	(184)
Impairment loss related to discontinued operations	**(25)**	13
Provision for impairment, as at December 31	**-**	85

(iii) LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its obligations with financial liabilities as they become due. The Corporation maintains sufficient cash and cash equivalents and revolving credit facility availability to meet financial obligations. Based on remaining contractual maturities, the undiscounted cash flows for its financial liabilities including interest payments, consists of $15.3 million of trade and other payables and $0.3 million of derivative financial instruments which mature within one year of the statement of financial position date.

CAPITAL MANAGEMENT

The Corporation's objectives when managing its capital are to safeguard 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:

As at December 31, 2013 ($000)	**2013**	2012
	$	$
Borrowings	**-**	8,842
Shareholders' equity	**86,003**	77,496
Total capital	**86,003**	86,338

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 Corporation is subject to certain restrictive covenants under the revolving credit facility agreement with its lenders. These covenants are measured on a quarterly basis. Financial covenants stipulated by the agreement include maintenance of a:

- Minimum ratio of current assets to current liabilities;
- Trailing twelve month funded debt to EBITDA ratio as defined by the agreement; and
- Trailing twelve month fixed charge coverage ratio as defined by the agreement.

In addition to the financial covenants noted above, the Corporation is also subject to further covenants including, but not limited to, restrictions on:

- Mergers or acquisitions;
- Maintaining operating bank accounts with the Corporation's lenders;
- Requiring that any new subsidiaries provide security to the lenders;
- Dispositions of the Corporation's assets; and
- Investments with parties other than the lenders of the revolving credit facility.

Other than the restrictive covenants contained in the debt agreement, neither the Corporation nor any of its subsidiaries are subject to externally imposed capital requirements. As of December 31, 2013, the Corporation has operating bank accounts with institutions other than the Corporation's lenders, has completed certain mergers within the Corporation's legal entity structure and has incorporated subsidiaries which have not provided security to the lenders. The Corporation is presently in negotiations with its lenders to revise certain of the restrictions imposed by the existing credit facility.

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.

OTHER FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET ARRANGEMENTS

In its continuing operations, McCoy has, from time to time, entered into long-term contractual arrangements for its operational facilities and debt financing. The following table presents contractual obligations, including interest, arising over the next five years from the arrangements currently in force:

As at December 31, 2013 ($000)	Trade and other payables	Derivative financial instruments	Borrowings	**Total**
	$	$	$	**$**
Within 1 year	15,293	302	-	**15,595**

The Corporation has committed to payments under operating leases for premises and equipment. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

($000)	$
Within 1 year	3,586
2 to 5 years	9,760
Over 5 years	964

The above includes commitments with related parties disclosed below.

The Corporation has sublet certain premises that are under operating lease. The future minimum lease payments to be received in the following year under non-cancellable leases are $0.7 million and $2.2 million thereafter.

RELATED PARTY TRANSACTIONS

Operating lease expense

The Corporation has three lease agreements with companies controlled by individuals, who are also directors of Foundation Equity Corporation, a 22% shareholder of the Corporation. The following is a summary of each agreement:

(i) Minimum annual lease payments of $0.4 million until 2018. At the conclusion of the lease in 2018, the Corporation has the option to extend the lease for five years with annual lease payments negotiated at market rates.

(ii) Minimum annual lease payments of $0.7 million until 2018. The Corporation has the option to extend the lease for five years at negotiated market rates.

(iii) Minimum annual lease payments of $0.3 million until 2018.

During the year ended December 31, 2013, the Corporation recorded operating lease expense of $1.3 million (2012 - $1.1 million) with respect to related party operating leases disclosed above.

On December 17, 2013, Foundation completed the sale of 5,200,000 common shares of the Corporation. The offering was completed on a bought deal basis by an underwriting syndicate. The Corporation paid fees of $0.3 million on behalf of Foundation related to the short-form prospectus that was issued in conjunction with the offering. Foundation subsequently reimbursed the Corporation for these fees.

During the year ended December 31, 2013, the Corporation recorded revenue of $nil (2012 – $0.2 million) from the sale of trailers to a company controlled by a member of the Corporation's Board of Directors. The transaction took place in the normal course of operations, at market rates and under normal commercial terms.

Key management personnel

Key management personnel include 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, 2013 and 2012 are as follows:

For the years ended ($000)	**2013**	2012
	$	$
Salaries and other short-term employee benefits	**3,886**	3,145
Termination benefit	**-**	471
Share-based payments	**579**	393
	4,465	4,009

Subsequent to December 31, 2013, a senior corporate officer included in key management personnel above, departed the Corporation. In accordance with the employee's employment agreement, severance of $0.7 million became payable at the time of departure.

OUTSTANDING SHARE DATA

As at March 14, 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	**935,005**

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
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

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.

Estimates and underlying assumption are reviewed on an ongoing basis. 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) *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.

(ii) *Provisions*

Considerable judgment is used in measuring and recognizing provisions and the Corporation's exposure to contingent liabilities. Judgment is necessary to determine the likelihood and estimated future outflow of resources that may be required to settle any future or existing claims.

(iii) *Income tax*

The Corporation operates in several tax jurisdictions and is, therefore, required to estimate its income taxes in each of these tax jurisdictions in preparing its financial statements. The calculation of income taxes requires the use of judgment. If these judgments prove to be inaccurate, future earnings may be materially impacted.

(iv) *Classification of disposal groups held-for-sale*

Judgment is used in determining whether the criteria for classification of disposal groups held-for-sale and discontinued operations, as stated in notes 3(h) and 3(t) to the 2013 consolidated annual financial statements, have been met.

(v) *Impairment of intangible assets*

The Corporation performs an impairment test, in accordance with the accounting policy stated in note 3(k), to test whether indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 9) to the 2013 consolidated annual financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") have issued a number of new standards, amendments to standards and interpretations effective for annual periods beginning after January 1, 2014. These have not been applied by the Corporation in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below:

Proposed standards and amendments	Description	Anticipated impact	Effective date
IFRS 9 – Financial Instruments: Classification and Measurement	Specifies that financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. The classification and measurement of financial liabilities remain generally unchanged.	The new standard is not expected to have a significant impact on the Corporation.	January 1, 2015

Management continues to evaluate the potential measurement and disclosure impacts of these new standards on the Corporation's financial statements. The Corporation does not anticipate early adoption of this standard 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 of our DC&P was conducted, as at December 31, 2013, 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, 2013, our DC&P, as 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 of our ICFR using the framework and criteria established in Internal Controls – Integrated Framework of 1992, 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, 2013, ICFR (as defined in NI 52-109) were effective. There were no changes in our ICFR during the year ended December 31, 2013 that have materially affected, or are reasonably likely to affect, our ICFR.

RISK AND UNCERTAINTIES RELATED TO THE BUSINESS

As at December 31, 2013, there have been no changes in the Corporation's risks or risk management activities since December 31, 2012. 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;
- Political unrest;
- Technology risks;
- The economy of the energy sector;
- Weather;
- Ability to attract and retain key personnel;
- The competitive environment;
- McCoy's ability to successfully integrate and operate additional businesses; and
- Interest rates.

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 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 PRICE RISK

The recent downturn in oil and gas prices worldwide had a direct impact on activities of the Corporation's customers. Low commodity prices for an extended period of time will result in continued reduced demand for many of McCoy's manufactured products. This in turn will result in lowered revenues and earnings. To mitigate some of this risk, management has focused on growing its less volatile recurring revenue businesses such as replacement parts and service related to drilling equipment as well as new product development which will diversify the Corporation's product offering. In addition, the Corporation's strategy to increase revenue outside of North America and in extreme and adverse well conditions is intended to provide less revenue volatility; as such, contracts are typically longer in term.

POLITICAL UNREST

The Corporation markets its products into certain countries which may experience political unrest from time to time. Political unrest could result in a disruption in revenues generated by those countries and reduced revenues potentially short and long term and inability to collect on accounts for products and services sold. To mitigate this risk, McCoy ensures it is operating in the global marketplace where reliance on revenues from one country or another is not expected to result in major revenue shortfalls.

TECHNOLOGY RISK

McCoy's ability to meet customer demands in respect of performance and cost will depend upon continuous improvements in products, and there can be no assurance that McCoy will be successful in this regard or that McCoy will have resources available to meet this continuing demand. Failure to meet this demand could have a material adverse effect on McCoy's business, financial condition, results of operations and cash flows. No assurances can be given that McCoy's competitors will not achieve technological advantages.

In the future, McCoy may seek patents or other similar protections in respect of particular products and technology; however, McCoy may not be successful in such efforts. Competitors may also develop similar products and technology thereby adversely affecting McCoy's competitive advantage in one or more of McCoy's businesses. Additionally, there can be no assurance that certain products or technology McCoy 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's business, financial condition, results of operations and cash flows.

ECONOMIC DOWNTURN

Economic downturns could have a negative impact on our business since our customers may curtail their capital spending or may experience difficulty in paying for products purchased. By situating the Corporation to adapt to changing market conditions, exposure to such risk may be lessened. This has and will continue to be achieved by cost management strategies and expansion into other sectors through new targeted marketing strategies.

CYCLICALITY

As a significant percentage of the Corporation's consolidated revenues are tied, directly or indirectly, to the energy industry, both in Western Canada and globally, the Corporation's overall financial performance is subject to any cyclicality in this industry sector.

CLIMATE CHANGE RISK

McCoy is unlikely to be affected directly by Climate Change effects. No direct physical risks (i.e. rise of sea level, harsher winter) resulting from Climate Change are foreseeable to affect the continuity of McCoy's business units in the long term.

None of the Alberta or BC regulations on Greenhouse Gases ("GHGs") directly affect any of McCoy's business units, since all McCoy facilities in Alberta emit less than the Alberta regulatory compliance threshold of 100,000 tonnes of carbon dioxide ("CO2") per year and all McCoy facilities in BC emit less than the BC regulatory reporting threshold of 10,000 tonnes of CO2 per year. Both federally in Canada and in the United States, any anticipated effect of GHG emissions legislation will be determined when the proposed regulations are finalized by both the Canadian Government and United States Environmental Protection Agency. Although none of McCoy business units is a large emitter of CO2, the Corporation is taking steps towards assessing the carbon footprint of each one. The Corporation's initial approach consists on monitoring fossil fuel and electric power costs with intention of identifying areas of potential improvement. The Corporation's main customers in the energy industry most probably will face the need for capital investment to comply with impending regulations having the effect of promoting CCS (Carbon Capture and Storage) for reductions in GHGs, besides current expenses (in Alberta and BC, CO2 is currently regulated at $15/ton and $30/ton, respectively). Whether price adjustment, revenue adjustment or revamping will take place in any given facility of McCoy's customers is uncertain. However, the oil and gas extraction activity is reasonably expected to be maintained to cover the growth in energy demand.

In the short-term, McCoy will be gradually formalizing current initiatives aimed towards increasing energy efficiency and reducing energy consumption.

RELIANCE ON KEY PERSONNEL AND LABOUR SHORTAGES

The potential loss of key personnel is another risk area the Corporation faces. While continued productivity improvements have reduced labour requirements and the recent economic downturn has relieved the labour market pressures in the short-term, the Corporation's future and growth is dependent on retaining qualified employees at all levels of the organization. In order to address this risk, the Corporation is proactive in its human resource management with the ultimate goal of providing an attractive work environment for all employees.

DOMESTIC AND FOREIGN COMPETITION

The Corporation has competitors. If the Corporation does not respond effectively to its competitors' new products, geographic expansion, pricing and marketing strategies, the Corporation may lose market share. Foreign competition presents a risk for the hydraulic power tong market as China, in particular, is expanding its distribution network in North America. The Corporation invests a significant amount of time and effort on new product development to ensure that this risk is mitigated. Most importantly, the Corporation is a customer focused business and long-term, trusted relationships are key to maintaining a competitive edge. Customers are more reluctant to change suppliers if their expectations are met or exceeded. Lastly, drillers and operators are constantly evolving the means of extracting hydrocarbons, with an emphasis on safety. Although McCoy has a robust new product development program, the Corporation is at risk of not keeping up with the end users' demand for safer, more efficient products.

INTERNATIONAL SALES

The Corporation sells a significant amount of its product into foreign countries. International sales are subject to inherent risks such as changes in governing bodies, regulatory requirements, import and export delays, and other trade barriers. Although the Corporation endeavor to obtain prepaid for sales outside of North America, there is inherent risk related to any situation, such as terrorism, regime change, war and civil insurrection that could disrupt the payment of monies owed to the Corporation.

BUSINESS ACQUISITIONS AND DIVESTITURES

The Corporation intends to identify, evaluate and acquire new businesses that are complementary to its overall business strategy. If integration of any new businesses does not occur as expected, or their performance is less than expected, the Corporation's revenues may be lower and operational costs higher than expected. Furthermore, the Corporation has identified certain operations which are discontinued for reporting purpose, and the Corporation has entered into certain divestiture processes for these operations. If the Corporation is unable to divest of these operations at favorable terms and conditions then the expected returns may be lower than expected, resulting in less earning expected from such divestitures.

GROWTH STRATEGY RISK

The Corporation's Board has approved a robust growth strategy for the Corporation over the next three years. There is a risk that access to capital may be reduced in both the debt and equity markets resulting in delays to the implementation of growth strategy, both organically and by acquisitions. In addition, there is competition for acquiring good companies which can result in unsuccessful acquisition attempts. In order to mitigate this risk, the executive team has a structured and disciplined process for identifying and evaluating opportunities.

HYDROCARBON DEMAND RISK

Global demand for hydrocarbon related products such as gasoline and natural gas directly impacts the level of worldwide drilling activity. Reduction in drilling activity results in lower demand for many of McCoy's manufactured products. To help alleviate some of this risk, management is continuing to grow its service and replacement parts business for drilling equipment as well as mobile equipment such as trucks and trailers. Growing the Corporation's exposure to the recurring revenue maintenance cycles of existing capital equipment is a key part of the long-term business strategy.

ENVIRONMENTAL RISK

Inotec, a wholly owned subsidiary of McCoy, conducts certain portions of its industrial coatings business with hazardous substances that are harmful to the environment and personnel should there be a substantial spill or personnel exposure to some or all of these substances. Management has in place mitigating measures and controls which are believed to reduce significantly the opportunity for such an event to take place. The Corporation and Inotec are subject to stringent health, safety and environmental policies and standards and are internally audited on a regular basis. An Environmental Management System based on the Internal Standard ISO 14001:2004 has been implemented at Inotec.

INSURANCE

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 operations factors including number of claims and amounts paid out. To this end, the Corporation attempts to mitigate its risks through various commercial agreements, whereby the risk is appropriately shared.

SUPPLY CHAIN

The Corporation relies on various key suppliers and their risks and costs are ultimately borne by the Corporation. The Corporation continuously pursues the most efficient and effective suppliers in order to mitigate any one supplier having a material adverse effect on the Corporation's ability to provide its product. Notwithstanding, the Corporation uses steel as the major component in its products. Disruption in the supply of steel may affect the Corporation's ability to fill orders in a timely fashion and volatility of steel prices may affect gross margins. The Corporation has many steel suppliers which may assist in the mitigation of disruption of the supply of steel. However, an overall disruption in the steel market will have an impact on the Corporation that may not be able to be mitigated.

LEGAL COMPLIANCE (ANTI-CORRUPTION RISK, EXPORT 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 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 "CFPOA"), the US Foreign Corrupt Practices Act (the "FCPA") and the United Kingdom Bribery Act 2010, as well as local laws in all countries in which the corporation does business. The Corporation has established policies, procedures and a due diligence process that McCoy personnel and/or third party representatives must follow to ensure compliance with those laws. Additionally, the Corporation continuously evaluates third party agents and seeks to maintain a limited number of such parties in an effort to mitigate non-compliance. Lastly, certain products and services are subject to the export control laws of the United States, Canada 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, loss of McCoy's export privileges, imprisonment, and other sanctions. The Corporation has established policies and procedures that McCoy personnel must follow to ensure compliance with those laws and regulations.

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.