MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2014

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EXPLANATORY NOTES

The following Management's Discussion and Analysis of Financial Results ("MD&A"), dated March 11, 2015, 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, 2014 and 2013. 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 Global Inc. and its subsidiaries, unless the context otherwise requires. Additional information relating to McCoy Global, including periodic quarterly and annual reports and Annual Information Forms ("AIF"), filed with Canadian securities regulatory authorities, is available on SEDAR at sedar.com and our website at mccoyglobal.com.

FORWARD-LOOKING INFORMATION AND STATEMENTS

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

Forward-looking statements relating to:

- the Corporation's acquisition strategy;
- the future development and growth 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 or effectively integrate strategic acquisitions;
- inability to implement the Corporation's business strategy effectively;
- access to capital markets;
- fluctuations in oil and gas prices;
- fluctuations in capital expenditures of the Corporation's target market;
- competition for, among other things, labour, capital, materials and customers;
- interest and currency exchange rates;
- technological developments;
- global political and economic conditions;
- global natural disasters or disease;
- 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".

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

Over the past several years McCoy Global has undertaken and successfully completed several strategic objectives that were intended to facilitate growth and to strongly position the Corporation in a historically cyclical market. This included divesting of non-core operations, building Eastern Hemisphere regional sales and service centers, rebranding and implementing a global Enterprise Resource Planning (ERP) system. These efforts have created a financially sound organization with reduced exposure to North American oil and gas market volatility.

Although the organization has made significant strides forward in the past several years, 2015 is expected to be a very challenging year for McCoy Global. McCoy Global enters 2015 with a backlog of $26.9 million. This backlog, along with orders taken over the beginning of 2015, should support the Corporation's revenues through the first quarter of 2015 and provide some visibility into the second quarter. Beyond the first quarter of 2015, market conditions are such that the Corporation is anticipating a severe reduction in capital equipment revenues from North America, a significant decline from rig manufacturers and a more modest decline in several international markets to which McCoy Global is well positioned. In addition, Russian sanctions continue to impact the Corporation's ability to drive growth opportunities in this strategic market and geo-political events have the potential to further impact several international markets. It is also a challenging time to be introducing new products to the market. Anticipated 2015 revenues from the weBUCK™ and weHOLD™ are likely to be lower than originally anticipated. On a positive note, recently opened Eastern hemisphere regional sales and service centers continue to grow and realize incremental revenue. As capital equipment purchases retract, aftermarket revenue (service, consumables and replacement parts) is anticipated to offset some of the impact of the projected decline in capital equipment revenues. McCoy Global also remains committed to building a rental fleet which will be deployed to its regional sales and service locations. This will offer flexibility to customers who are constrained by capital expenditure limitations. The development of a rental fleet is currently in its initial stages and any meaningful impact of this investment to the consolidated financial results will likely be in the latter half of 2015 and into 2016.

McCoy Global has a strong leadership team and Board of Directors, who have successfully led businesses through several downturns. The Corporation is committed to evaluating its cost structure to reflect expected near-term activity levels by reducing discretionary spending and lowering supply chain costs. In addition, new regional sales and service center openings will be deferred until such time as the market shows signs of recovery. Although these actions will reduce the Corporation's overhead cost structure, margin contraction may occur in 2015. Management will continue to monitor the global oil and gas markets as they play out and will take all necessary and prudent steps to adjust business costs.

Anticipated working capital reductions in addition to McCoy Global's strong balance sheet, provide an opportunity to make strategic capital investments that will continue to strengthen the Corporation's overall market position. This includes continued commitment to new product development initiatives, the build-out of McCoy Global's rental fleet and supporting growth in established Eastern Hemisphere regional sales and service centers. Currently McCoy Global is evaluating acquisition opportunities with a focus on targets which would accelerate new product development efforts, complement current product or service offerings or provide an innovative or technological solution.

Although the length and severity of the downturn is uncertain, the long-term industry outlook has not significantly changed. McCoy Global's financial strength, experienced leadership and commitment to evaluating its cost structure will allow the Corporation to not only sustain a downturn but position the organization to make strategic capital investments to take advantage of future growth opportunities when commodity prices increase. The exposure to international markets, both land and offshore, as well as strong aftermarket revenue potential places McCoy Global in a stronger position than in past down cycles.

MARKET CONDITIONS

Rig and well counts

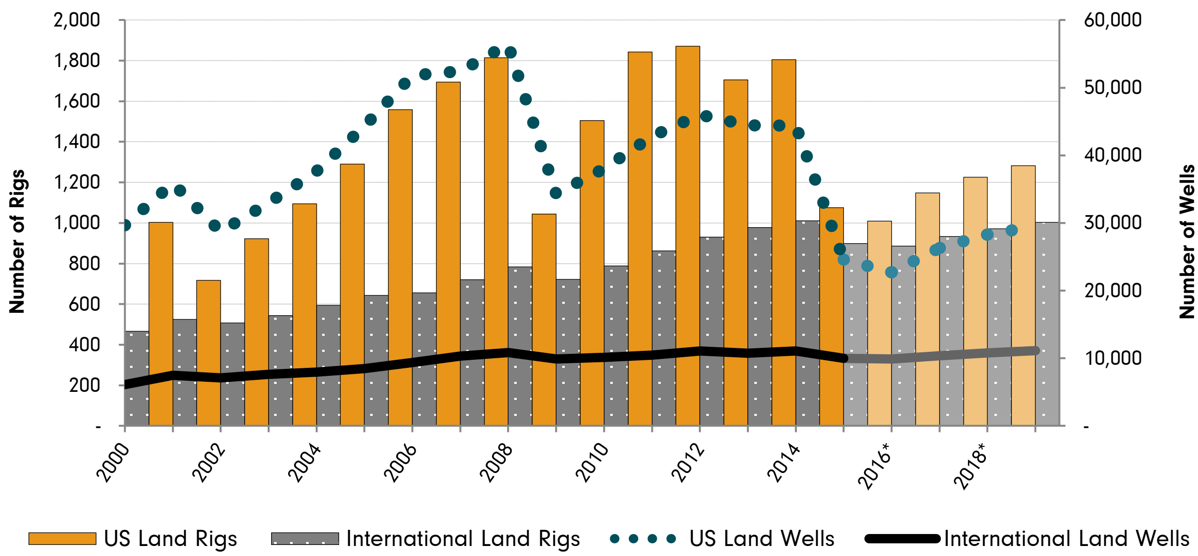
The demand for McCoy Global's products and services is ultimately driven by oil and natural gas prices. These commodity prices have historically been cyclical in nature and are difficult to forecast as they are influenced by many factors.

Higher oil and gas prices typically drive exploration and production companies to increase spending which in turn leads to an increase in drilling activity. As drilling activity increases, customers require capital equipment to meet drilling activity demand. Generally, rig counts and well completion activity are leading indicators of demand for McCoy Global's products and services, although there are many factors that may impact any correlation.

The current rig fleet is becoming more efficient which allows for more wells to be drilled per rig. A reduction in working rigs will impact McCoy Global, but the number of wells drilled is becoming a better indicator of future performance. The majority of McCoy Global's revenue is generated from capital equipment sales to service companies and not directly from supplying equipment that forms part of the rig package.

Management uses rig and well counts as a tool to monitor and set expectations of the future performance of the Corporation.

A summary of historical and forecasted rig and well counts is as follows[1]:



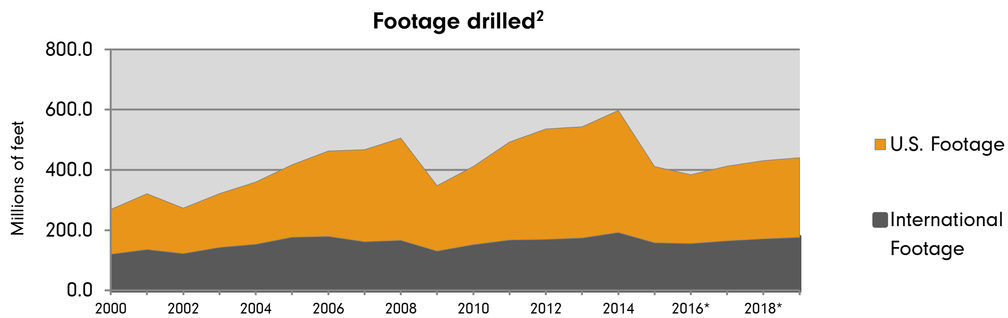
McCoy Global's focus on growing internationally offers geographic diversification, increased revenue opportunities and stability to withstand North American land market volatility which is currently being experienced. McCoy Global's international customers are now able to take advantage of regional support which the Corporation anticipates will increase aftermarket and rental revenues outside of North America.

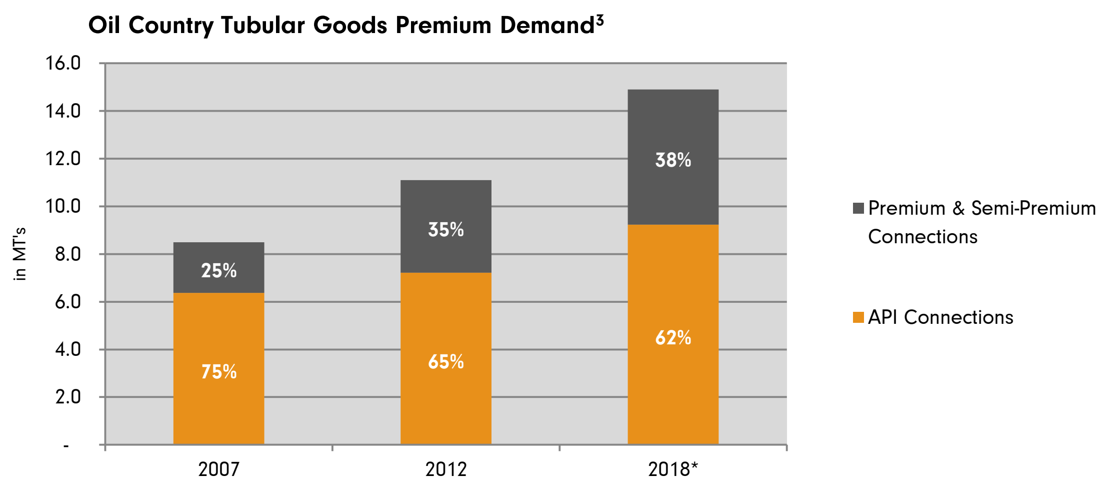
[1]Spears & Associates *Drilling and Production Outlook*, March 2015
*Estimated

Footage drilled

Unconventional drilling will be impacted by the current downturn but remains an important source of future global oil and natural gas supply. This has resulted in a trend towards more complex well construction and the increased use of premium connections. Investments made in new product development by the Corporation have increased McCoy Global's capabilities of producing high specification tubular make-up products and position McCoy Global to meet the technological challenges faced by customers in unconventional markets.

A summary of historical and forecasted footage drilled as well as premium connection demand is set out below[2]:





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[2]Spears & Associates *Drilling and Production Outlook*, March 2015

[3]Adapted from Vallourec Investor Presentation, September 2014

*Estimated

Backlog

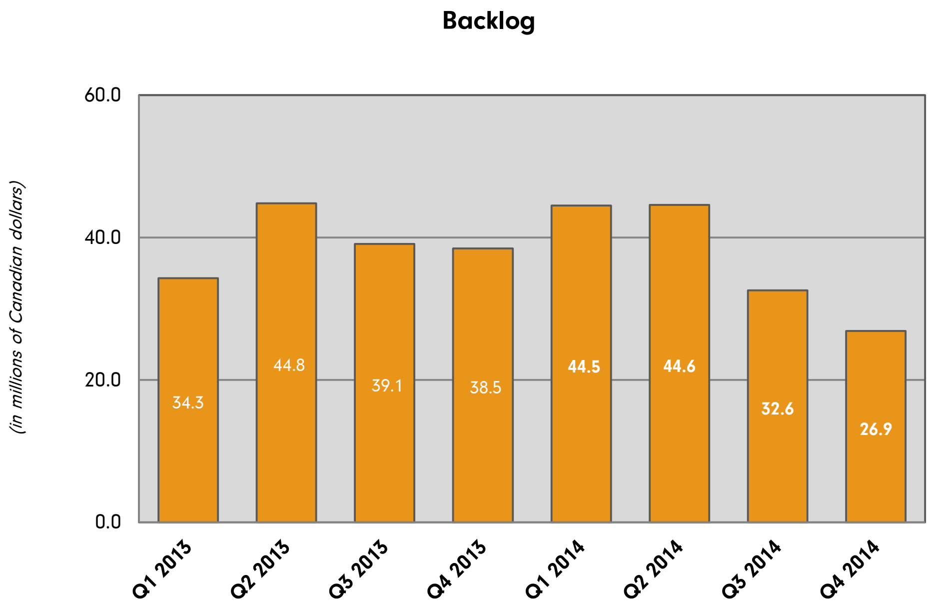
Backlog is a measure of the amount of customer orders the Corporation has outstanding and is therefore an indicator of a base level of future revenue potential. Backlog is not a GAAP measure and, as a result, the definition and determination of backlog will vary among other issuers reporting a backlog 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 as at December 31, 2014 totaled $26.9 million, a decrease of $5.7 million or 17% from September 30, 2014.

For the quarter, McCoy Global received net sales orders of $21.7 million (Q3 2014 - $26.3 million) and recorded revenue of $27.4 million (Q3 2014 - $38.3 million).

Typically, capital equipment orders slow during the fourth quarter of the year as many of McCoy Global's large customers are in the midst of capital budgeting. This, compounded by the sharp decline in oil prices and recent uncertainty in market conditions, led to lower order intake during the quarter and is expected to result in reduced order intake throughout 2015.

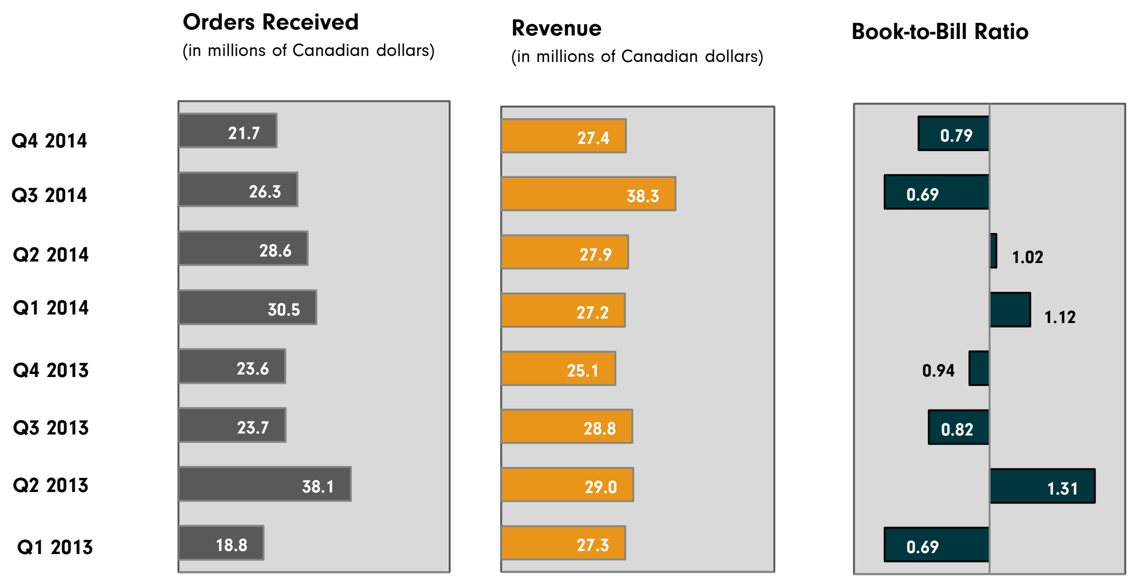
McCoy Global is working on several initiatives to reduce customer delivery times. As the Corporation progresses on these initiatives the overall level of backlog, in comparison to historical levels, will decline. Further, regional sales and service locations will continue to increase customer support and strengthen customer relationships, which, along with sales and marketing initiatives, will provide insight to assist in forecasting demand and building product based on demand forecasts.



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. 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 December 31, 2014 was 0.79 (September 30, 2014 – 0.69). Set out below are orders received, revenue and the book-to-bill ratio:



STRATEGY AND CORE BUSINESS VISION

OUR VISION IS TO BE THE GLOBAL LEADER IN TUBULAR MAKE-UP AND HANDLING EQUIPMENT SOLUTIONS

McCoy Global is a leading provider of tubular handling, assembly and measurement equipment used for making up threaded connections in the global oil and gas industry. McCoy Global's core products are used during the well construction phase for both land and offshore wells and for both oil and gas well activities. The Corporation is engaged in the following:

- 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 aftermarket 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.

Following a strategic decision to place greater focus on the Corporation's long-term core business in the fourth quarter of 2013, management committed to a formal process to sell the Mobile Solutions segment and the Coatings & Hydraulics division. On June 17, 2014, the Mobile Solutions segment was sold by the Corporation. On September 15, 2014, the Coatings & Hydraulics division was sold by the Corporation. A member of the Corporation's Board of Directors is the Chairman and Chief Executive Officer of, and holds an equity interest in, the corporation that purchased the Coatings & Hydraulics division.

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 Global's[3] principal operations:

Operating Name	Country of Incorporation	Operating Region	Ownership Interest
McCoy Global Canada Corp.[4]	Canada	Canada	100%
McCoy Global S.à.r.l.	Luxembourg	Middle East	100%
McCoy Global Singapore Pte. Ltd.	Singapore	Asia Pacific	100%
McCoy Global UK Ltd.	United Kingdom	Europe, Africa & Russia	100%
McCoy Global USA, Inc.[5]	United States	United States	100%

[3] On July 7, 2014, McCoy Corporation changed its name to McCoy Global Inc.

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

[5] 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.

Organic growth is being achieved in four ways:

- establishing regional sales and service centers to increase market share of aftermarket revenues (service, consumables and replacement parts) and incremental capital equipment sales in each region;
- deploying a rental fleet of capital equipment at regional sales and service centers;
- commercializing innovative new products by investing in research and development as well as product improvement; and
- increasing market share of existing products.

The Corporation has maintained a strong balance sheet to allow for strategic investments required to support its growth plans and to pursue strategic acquisitions.

OPERATIONAL HIGHLIGHTS

FOR THE YEAR ENDED DECEMBER 31, 2014

WE COMPLETED THE FINAL STEP IN BECOMING A PURE PLAY AND STRENGTHENED OUR BALANCE SHEET IN THE PROCESS

In 2014, the Corporation completed the divestiture of the Coatings & Hydraulics division and Mobile Solutions segment. These divestitures represent the completion of McCoy Global's strategy to focus the Corporation's efforts on growing its tubular make-up and handling equipment business.

The proceeds from the Coatings and Hydraulics and Mobile Solutions divestitures have significantly strengthened McCoy Global's balance sheet and reduced exposure to Western Canadian market volatility. With $29.9 million of cash and cash equivalents as well as access to a $50 million committed credit facility, McCoy Global is well positioned to withstand a downturn as well as advance its strategic objectives.

WE CONTINUED TO EXECUTE UPON OUR STRATEGIC INITIATIVE TO GROW OUR INTERNATIONAL PRESENCE

McCoy Global officially opened its third regional sales and service center in the Jebel Ali Free Zone ("JAFZA"), located in Dubai, United Arab Emirates. The opening of this regional center represents another significant milestone in completing the Corporation's strategic initiative to increase its international exposure and solidifies its Eastern Hemisphere presence.

McCoy Global has also continued to progress the development of regional locations in Aberdeen and Singapore which will become increasingly important regions to McCoy Global given anticipated near-term declines in North America.

WE PROGRESSED NEW PRODUCT DEVELOPMENT INITIATIVES

McCoy Global commercialized the weBUCK™ and made significant progress towards completing the development of the first piece of equipment under its weHOLD™ platform of handling tools. Although the current downturn is a challenging environment for commercializing and marketing new products, both of these products represent important pieces of McCoy Global's long-term growth strategy.

WE ANNOUNCED OUR OFFICIAL NAME CHANGE TO "MCCOY GLOBAL"

During 2014, the Corporation completed its re-branding efforts and officially changed its name to McCoy Global Inc. The name change is a reflection of the Corporation's growing international presence in the global oil and gas industry, a key element of its growth strategy.

FINANCIAL RESULTS

SUMMARY OF CONSOLIDATED ANNUAL RESULTS

For the year ended December 31 ($000 except per share amounts)	**2014**	2013	2012
Total revenue from continuing operations	**120,619**	110,212	101,847
Net earnings from continuing operations	**9,369**	7,760	9,859
Per common share – basic	**0.34**	0.29	0.37
Per common share – diluted	**0.34**	0.28	0.37
Earnings from discontinued operations (net of tax)[6]	**8,638**	2,084	1,913
Net earnings	**18,007**	9,844	11,772
Per common share – basic	**0.65**	0.37	0.44
Per common share – diluted	**0.65**	0.36	0.44
Adjusted EBITDA	**20,986**	17,014	18,525
Per common share – basic	**0.76**	0.63	0.70
Per common share – diluted	**0.76**	0.62	0.69
Dividends per common share	**0.20**	0.20	0.18
Total assets	**131,941**	120,467	117,683
Total liabilities	**29,568**	34,464	40,187
Total non-current liabilities	**4,081**	1,919	11,067

[6] Earnings from discontinued operations (net of tax) for the year includes an estimated one-time gain on the sale of the Corporation's former Mobile Solutions segment and Coatings & Hydraulics division.

EBITDA and adjusted EBITDA are calculated as follows:

For the year ended December 31 ($000)	2014	2013	2012
Net earnings from continuing operations	**9,369**	7,760	9,859
Income tax expense	**3,798**	3,324	3,854
Finance charges (net)	**374**	677	636
Depreciation	**3,679**	3,093	2,335
Amortization	**2,681**	1,163	1,008
EBITDA	**19,901**	16,017	17,692
Share-based compensation	**208**	695	711
Impairment of intangible assets	**202**	-	-
Net changes in fair value related to derivative financial instruments	**675**	302	-
Impairment of assets held for sale	**-**	-	122
Adjusted EBITDA	**20,986**	17,014	18,525

REVENUE

($000 except percentages)	For the year ended December 31 2014	2013	Change	% Change
Revenue	**120,619**	110,212	10,407	9%

Revenue for the year ended December 31, 2014 was $120.6 million, an increase of $10.4 million, or 9%, from 2013.

The substantial majority of the Corporation's revenue is denominated in United States currency. In comparison to the prior year, revenues for the year ended December 31, 2014 largely benefited from the weakening Canadian dollar. Incremental revenues from McCoy Global's regional Eastern Hemisphere sales and service centers also contributed to the increase in revenue. In addition, the Corporation realized revenue on a significant order destined for Latin America.

Geographic sales

The Corporation attributes revenue to a geographic region based on the location of the customer being invoiced. However, the geographic region where equipment is ultimately placed into service may significantly differ from the customer invoice location. Many of McCoy Global's customers are large multinational companies which may place an order in the United States, or another country, and redistribute the equipment. Further, McCoy Global invoices equipment to United States distributors who re-sell equipment both domestically and internationally. This revenue is attributed 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 where the equipment is placed into service.

In 2014, McCoy Global experienced strong demand in the Western Hemisphere, particularly the United States and Latin America. Regional Latin America revenues in the table below were impacted by orders that were destined to Latin America but invoiced to Europe. The Eastern Hemisphere experienced strong demand from the North Sea, Asia Pacific and parts of the Middle East and West Africa; however, geopolitical events in the Middle East and Russia also negatively impacted revenue generation opportunities in these locations.

Revenue growth in the Europe, Africa & Russia and Asia Pacific regions can be attributed, in part, to the establishment of McCoy Global's regional sales and service centers in the United Kingdom and Singapore, respectively. McCoy Global continues to build customer relationships through proximity to regional markets, and readily available product offerings.

($000 except percentages)	For the year ended December 31 2014	% of total	2013	% of total
United States	**63,896**	**53%**	63,759	58%
Europe, Africa & Russia	**33,761**	**28%**	24,681	22%
Asia Pacific	**8,436**	**7%**	4,700	4%
Middle East	**5,977**	**5%**	9,300	9%
Canada	**5,099**	**4%**	4,123	4%
Latin America	**3,450**	**3%**	3,649	3%
Total	**120,619**	**100%**	110,212	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 year ended December 31 2014	2013	Change	% Change
Gross profit	**46,203**	40,808	5,395	13%
Gross profit %	***38%***	*37%*	*1%*	

Gross profit percentage for the year ended December 31, 2014 was 38%, an increase of one percentage point from the 37% gross profit percentage realized in the comparative period.

The weakening of the Canadian dollar has had a positive impact on the gross profit of Canadian manufacturing operations where input costs are primarily in Canadian currency. The gross profit percentage also benefitted from higher sales of technical products, including proprietary software products realized in the first and second quarters of 2014.

This was offset by unfavorable shifts in product and customer mix in the third and fourth quarters of 2014. The second half of 2014 resulted in an increase in lower margin capital equipment sales, whereas higher margin software and aftermarket product sales did not increase at the same rate. Secondly, customer mix impacted margins in the latter half of 2014, where sales made through distributors were higher than previous quarters. As the margin earned on distributor sales is typically lower than a direct sale, the increased amount of distributor sales impacted overall profitability.

The Corporation has added costs to its overhead structure in anticipation of higher revenues which impacts overall margin performance when revenues are below budgetary expectations given that a large percentage of expenses in cost of sales are of a fixed nature.

GENERAL AND ADMINISTRATION

($000 except percentages)	For the year ended December 31 2014	2013	Change	% Change
General and administration	**25,859**	22,224	3,635	16%
General and administration as a % of revenue	***21%***	*20%*	*1%*	

For the year ended December 31, 2014, general and administrative expense totaled $25.9 million, a $3.6 million or 16% increase in comparison to the prior year. As a percentage of revenue, general and administrative expense was 21% for the year ended December 31, 2014, or an increase of one percentage point from the comparative period.

The Corporation's strategic growth initiatives required ongoing investment in many areas of the organization throughout 2014. Developing international locations has required a robust support network and upfront investment. To date, McCoy Global has opened locations in Aberdeen, Singapore and Dubai, all of which were greenfield initiatives. The establishment of new locations requires initial investment outlays, and also requires ongoing expenditures to develop the back-office support needed to run an international operation and meet local regulatory and statutory compliance requirements. For 2014, this incrementally added to the Corporation's overhead structure without an equivalent increase in revenue.

In 2014, general and administration expenses were also impacted by foreign exchange as a significant portion of these expenses are denominated in United States dollars. The weakening Canadian dollar has negatively impacted general and administrative expense.

General and administrative expense also includes a one-time charge of $0.8 million in severance, which was incurred in the first quarter of 2014. Throughout 2014, the Corporation continued to deploy resources to enhance the functionality and efficiency of its Enterprise Resource Planning (ERP) system and began amortizing capitalized ERP costs.

The nature of the Corporation's operations requires a minimum level of overhead support to meet statutory and regulatory obligations regardless of the revenues generated by the organization. With the recent declines in the price of oil, management continues to closely monitor discretionary spending and will continue to review the Corporation's overhead structure to reduce expenses where possible.

SALES AND MARKETING

	For the year ended December 31			
($000 except percentages)	2014	2013	Change	% Change
Sales and marketing	**5,199**	5,851	(652)	(11%)
Sales and marketing as a % of revenue	***4%***	*5%*	*(1%)*	

Sales and marketing expense for the year ended December 31, 2014 was $5.2 million, a decrease of $0.7 million from the prior year. As a percentage of revenue, sales and marketing expense was 4% for the year ended December 31, 2014, a decrease of one percentage point from 2013. Although revenues in 2014 increased, the $0.6 million decline in sales and marketing expense is attributable to efforts made to strategically reposition aspects of the Corporation's sales and marketing team in 2014.

RESEARCH AND DEVELOPMENT

	For the year ended December 31			
($000 except percentages)	2014	2013	Change	% Change
Research and development expense	**1,374**	1,504	(130)	(9%)
Capitalized development expenditures	**2,565**	1,559	1,006	65%
Total research and development	**3,939**	3,063	876	29%
Research and development as a % of revenue	**3%**	3%	-	

Research and development (including amounts expensed on the Statement of Earnings and capitalized as intangible assets on the Statement of Financial Position) for the year ended December 31, 2014 was $3.9 million, an increase of 29% from the comparative period. The increase is a result of progress made during the year on several of new products in the "we" product pipeline, including the weBUCK™ and weHOLD™. Total research and development expenditures, as a percentage of revenue, were consistent with the prior year.

FINANCE CHARGES (NET)

	For the year ended December 31			
($000 except percentages)	2014	2013	Change	% Change
Finance charges (net)	**374**	677	(303)	(45%)

For the year ended December 31, 2014, finance charges (net) were $0.4 million. The difference is a result of repayment of the Corporation's debt in the fourth quarter of 2013. Finance charges for the year ended December 31, 2014 include stand-by fees and the amortization of deferred financing charges.

OTHER GAINS AND LOSSES (NET)

($000 except percentages)	2014	2013	Change	% Change
	For the year ended December 31			
Other (gains) and losses (net)	**230**	(532)	762	(143%)

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

ADJUSTED EBITDA

($000 except percentages)	2014	2013	Change	% Change
	For the year ended December 31			
Adjusted EBITDA	**20,986**	17,014	3,972	23%
Adjusted EBITDA as a % of revenue	***17%***	*15%*	*2%*	

For the year ended December 31, 2014, adjusted EBITDA increased by $4.0 million or 23% from the prior year. As a percentage of revenue, adjusted EBITDA increased by two percentage points, to 17%, in comparison to 2013.

On an annual basis, gross profit increased by $5.4 million year over year and depreciation and amortization increased by $2.1 million. This was partially offset by $3.7 million in additional overhead costs.

EARNINGS FROM DISCONTINUED OPERATIONS (NET OF TAX)

($000 except percentages)	2014	2013	Change	% Change
	For the year ended December 31			
Earnings from discontinued operations (net of tax)	**8,638**	2,084	6,554	314%

Earnings from discontinued operations (net of tax) increased by $6.5 million or 314% from the prior year. This was primarily the result of a one-time gain on the sale of the Corporation's Mobile Solutions segment and Coatings & Hydraulics division in 2014.

SUMMARY OF CONSOLIDATED FOURTH QUARTER RESULTS

For the three months ended December 31 ($000 except per share amounts)	**2014**	2013
Total revenue	**27,209**	25,105
Net earnings from continuing operations	**1,753**	372
Per common share – basic	**0.06**	0.02
Per common share – diluted	**0.06**	0.02
Net earnings	**1,477**	701
Per common share – basic	**0.05**	0.03
Per common share – diluted	**0.05**	0.03
Adjusted EBITDA	**4,957**	2,317
Per common share – basic	**0.18**	0.09
Per common share – diluted	**0.18**	0.08

EBITDA and adjusted EBITDA are calculated as follows:

For the three months ended December 31 ($000)	**2014**	2013
Net earnings from continuing operations	**1,753**	372
Income tax expense	**1,190**	216
Finance charges (net)	**78**	113
Depreciation	**976**	878
Amortization	**666**	339
EBITDA	**4,663**	1,918
Impairment of intangible assets	**202**	-
Net changes in fair value related to derivative financial instruments	**139**	302
Share-based compensation	**(47)**	97
Adjusted EBITDA	**4,957**	2,317

SUMMARY OF QUARTERLY RESULTS

REVENUE

	For the three months ended December 31			
($000 except percentages)	2014	2013	Change	% Change
Revenue	**27,209**	25,105	2,104	8%

Revenue for the three months ended December 31, 2014 was $27.2 million, an increase of $2.1 million, or 8%, from 2013.

Revenue for the three months ended December 31, 2014 increased in comparison to the fourth quarter of 2013 but was impacted by shipping delays caused by challenges with customer availability in the latter part of December. Further, a noticeable decline in order intake impacted revenues in the United States.

As previously disclosed in 2013, results for the fourth quarter of 2013 were negatively impacted by a large custom order of capital equipment destined for Latin America as well as the Corporation's ERP implementation.

GROSS PROFIT

	For the three months ended December 31			
($000 except percentages)	2014	2013	Change	% Change
Gross profit	**9,195**	8,082	1,113	14%
Gross profit %	***34%***	*32%*	*2%*	

Gross profit percentage for the three months ended December 31, 2014 was 34%, an increase of 2 percentage points from comparative period.

During the quarter, gross profit was impacted by an inventory write-down that was taken in the fourth quarter of 2014. In response to ongoing engineering improvements to legacy products the organization undertook a detailed review of its current inventory and determined that a portion of its production inventory was at risk of obsolescence. Inventory adjustments resulted in an approximately 3 percentage point decline in gross profit percentage. The Corporation is continuing to monitor its overall inventory levels and make-up in relation to continuing engineering improvement and near-term market activity levels. If market activity continues to decline or there is a shift in customer order mix as a result of the downturn, additional write-downs may be required.

The Corporation added costs to its overhead structure in anticipation of higher revenues which impacts overall margin performance when revenues are below budgetary expectations given that a large percentage of expenses in cost of sales are of a fixed nature.

Profitability for the quarter ended December 31, 2013 was negatively impacted by the Corporation's transition of its two largest manufacturing facilities to its new ERP platform and by an additional provision for warranty that was accrued during the quarter to fund identified product quality issues, which were isolated and resolved in 2014.

General and Administration

($000 except percentages)	For the three months ended December 31 2014	2013	Change	% Change
General and administration	**5,319**	5,850	(531)	(9%)
General and administration as a % of revenue	***20%***	*23%*	*(3%)*	

For the three months ended December 31, 2014, general and administrative expense totaled $5.3 million, a $0.5 million or 9% decrease in comparison to the prior year. As a percentage of revenue, general and administrative expense was 20% for the three months ended December 31, 2014, or a decrease of 3 percentage points from the comparative period.

General and administrative expense declined primarily as a result of reductions to the previously accrued 2014 management short-term incentive plan that were recorded in the fourth quarter. The cost savings were partially offset by additional overheads associated with the opening of McCoy Global's Middle East region sales and service center and the foreign exchange impact of the weakening Canadian dollar on US dollar overheads.

Sales and Marketing

($000 except percentages)	For the three months ended December 31 2014	2013	Change	% Change
Sales and marketing	**1,233**	1,610	(377)	(23%)
Sales and marketing as a % of revenue	***5%***	*6%*	*(1%)*	

Sales and marketing expense for the three months ended December 31, 2014 was $1.2 million, a decrease of $0.4 million from the prior year. As a percentage of revenue, sales and marketing expense was 5% for the three months ended December 31, 2014, a decrease of one percentage point from 2013.

For the three months ended December 31, 2014, the $0.4 million decline in sales and marketing expense can be attributable to efforts made to reposition aspects of the Corporation's sales and marketing team over the last several quarters.

Research and Development

($000 except percentages)	For the three months ended December 31 2014	2013	Change	% Change
Research and development expense	**226**	255	(29)	(11%)
Capitalized development expenditures	**474**	256	218	85%
Total research and development	**700**	511	189	37%
Research and development as a % of revenue	**3%**	2%	1%	

Research and development (including amounts expensed on the Statement of Earnings and capitalized as intangible assets on the Statement of Financial Position) for the three months ended December 31, 2014 was $0.7 million, an increase of 37% from the comparative period. The increase is a result of progress made towards the commercialization of the weBUCK™ and weHOLD™ during the quarter.

FINANCE CHARGES (NET)

	For the three months ended December 31			
($000 except percentages)	**2014**	2013	Change	% Change
Finance charges (net)	**78**	113	(35)	(31%)

For the three months ended December 31, 2014, finance charges (net) were $0.1 million and were consistent with the comparative period.

OTHER GAINS AND LOSSES (NET)

	For the three months ended December 31			
($000 except percentages)	**2014**	2013	Change	% Change
Other (gains) and losses (net)	**(604)**	(334)	270	81%

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

ADJUSTED EBITDA

	For the three months ended December 31			
($000 except percentages)	**2014**	2013	Change	% Change
Adjusted EBITDA	**4,957**	2,317	2,640	114%
Adjusted EBITDA as a % of revenue	***18%***	*9%*	*9%*	

For the three months ended December 31, 2014, adjusted EBITDA increased by $2.6 million or 114% from the prior year. As a percentage of revenue, adjusted EBITDA increased by 9%, to 18%, in comparison to 2013.

The increase in adjusted EBITDA for the fourth quarter of 2014 resulted from increased gross profit and decreased overhead expenditures in comparison to the fourth quarter of 2013.

EARNINGS FROM DISCONTINUED OPERATIONS (NET OF TAX)

	For the three months ended December 31			
($000 except percentages)	**2014**	2013	Change	% Change
Earnings from discontinued operations (net of tax)	**(276)**	329	(605)	(184%)

Earnings from discontinued operations (net of tax) decreased by $0.6 million or 184% from the prior year. Earnings from discontinued operations reflect changes in estimates relating to certain working capital and other adjustments defined by the share purchase agreement related to 2014 divestitures.

SUMMARY OF QUARTERLY RESULTS

($000 except per share amounts)	2014				2013			
	Dec	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	**27,209**	38,275	27,915	27,220	25,105	28,804	29,019	27,284
Earnings from continuing operations	**1,753**	4,163	2,258	1,195	372	3,458	2,351	1,579
Basic earnings per share from continuing operations	**0.06**	0.15	0.08	0.04	0.02	0.13	0.09	0.06
Diluted earnings per share from continuing operations	**0.06**	0.15	0.08	0.04	0.02	0.13	0.09	0.06
Net earnings	**1,477**	5,747	8,262	2,521	701	4,031	3,051	2,061
Basic earnings per share	**0.05**	0.21	0.30	0.09	0.03	0.15	0.11	0.08
Diluted earnings per share	**0.05**	0.21	0.30	0.09	0.03	0.15	0.11	0.08

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

At December 31, 2014, the Corporation has $29.9 million in cash and cash equivalents and access to $50.0 million in committed funds under its $50.0 million revolving credit facility. As of December 31, 2014, the Corporation has no debt.

Selected cash flow and capitalization information is as follows:

For the year ended December 31 ($000)	**2014**	2013
Cash generated from operating activities	**7,640**	12,188
Cash generated from (used in) investing activities	**13,735**	(7,761)
Cash used in financing activities	**(4,702)**	(13,332)
Debt to equity ratio	**0.29 to 1**	0.40 to 1

Cash generated from operating activities for the year ended December 31, 2014 was $7.6 million compared to $12.2 million generated from the year ended December 31, 2013. Operating cash flow from continuing operations increased by $3.1 million. Cash flow generated from continuing operations was impacted by a $15.0 million investment in working capital (2013 - $7.0 million). Working capital was impacted by an increase in trade receivable balances as at December 31, 2014 resulting from the delayed payment of certain invoices due from several of the Corporation's larger customers. The majority of these balances were received in full subsequent to year-end. Further, McCoy Global continued to build inventories at each of its international sales and service centers to meet regional customer demand. The cashflow impact of these increases in working capital was offset by a $4.0 million increase in adjusted EBITDA from the comparative period. 2014 cash flows were also impacted by a decline in cash tax payments as tax receivable balances were drawn down to minimize 2014 cash tax payments. In addition, the Corporation had lower interest payments in 2014 resulting from the repayment of senior debt obligations in 2013. Operating cash flow from discontinued operations decreased by $7.7 million.

Cash generated from investing activities for the year ended December 31, 2014 was $13.7 million compared to $7.8 million used in investing activities in the comparative period. For the year ended December, 2014, the Corporation received $20.6 million of the proceeds from the sales of the Mobile Solutions segment and the Coatings & Hydraulics division. Cash flows were also impacted by $1.0 million decrease in capital equipment purchases and a $0.6 million decrease in intangible asset additions. In the comparative period, the Corporation sold its Houston technical service center for proceeds of $0.9 million.

Cash flows used in financing activities for the year ended December 31, 2014 were $4.7 million compared to $13.3 million in prior year. In the comparative period, the Corporation fully repaid its $9.4 million in borrowings

Management believes that with the projected level of operations for 2015 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 plans. 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.

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
Other assets	Loans and receivables	Amortized Cost
Trade and other payables	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.

DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency 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, 2014, 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 $0.2 million (2013 - $nil).

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. The Corporation is primarily exposed to interest rate risk on cash and cash equivalents. In 2013, the Corporation was primarily exposed to interest rate risk on cash and cash equivalents. The Corporation estimates that a change of 100 basis points in the interest rate as at December 31, 2014, would have increased or decreased net earnings, net of tax, for the year ended December 31, 2014, by $nil (2013 - $nil).

(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)	**2014**	**2013**
	$	**$**
0 to 30 days	**6,866**	4,857
31 to 60 days	**3,508**	3,844
61 to 120 days	**3,657**	4,171
Over 120 days	**7,641**	920
	21,672	13,792
Provisions for impairment	**(287)**	-
Trade receivables	**21,385**	13,792
Other receivables	**1,318**	366
Total trade and other receivables	**22,703**	14,158

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

For the year ended December 31 ($000)	**2014**	**2013**
	$	**$**
Provision for impairment, as at January 1	**-**	85
Impairment loss recognized	**287**	-
Amounts recovered	**-**	(60)
Impairment loss related to discontinued operations	**-**	(25)
Provision for impairment, as at December 31	**287**	-

(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 $15.1 million (2013 - $15.3 million) of trade and other payables and $1.0 million (2013 - $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 ($000)	**2014**	2013
	$	**$**
Borrowings	**-**	-
Shareholders' equity	**102,373**	86,003
Total capital	**102,373**	86,003

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, the disposition of the Corporation's assets, distributions, financial instruments and changes to the nature of the Corporation's business or operations.

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.

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 Global 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, 2014 ($000)	Trade and other payables	Derivative financial instruments	**Total**
	$	$	**$**
Within 1 year	15,119	977	**16,096**

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	2,936
2 to 5 years	6,172
Over 5 years	694

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 directors of the Corporation's board that are also directors of Foundation Equity Corporation ("Foundation"), 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 of $0.7 million until 2018. The Corporation has the option to extend the lease for five years with annual lease payments negotiated at market rates.

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

During the year ended December 31, 2014 the Corporation recorded operating lease expense of $1.4 million (2013 - $1.3 million) with respect to related party operating leases disclosed above. In addition to regularly scheduled lease payments, the Corporation paid an additional $0.2 million to one of the companies controlled by the related parties to reimburse the related parties for certain facility expenses.

Divestiture of Coatings & Hydraulics division

On September 15, 2014 the Corporation sold the Coatings & Hydraulics division to Corrosion and Abrasion Solutions Ltd. ("CASL"). To facilitate the sale and minimize any potential conflicts of interest, the Corporation engaged a third party brokerage firm to solicit offers within the market place, manage the sales process and assist in negotiating the definitive agreements. A member of the Corporation's Board of Directors is the Chairman and Chief Executive Officer of, and holds an equity interest in, CASL, the purchaser of the Coatings & Hydraulics division.

Payment of short form prospectus fees

On December 17, 2013, Foundation completed the sale of 5,200,000 common shares of the Corporation. The offering as 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-from prospectus that was issued in conjunction with the offering. Foundation subsequently reimbursed the Corporation for these fees.

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, 2014 and 2013 are as follows:

For the years ended ($000)	2014	2013
	$	$
Salaries and other short-term employee benefits	**3,539**	3,886
Termination benefit	**656**	-
Share-based payments	**460**	579
	4,655	4,465

OUTSTANDING SHARE DATA

As at March 11, 2015 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	**27,694,239**
Stock options	**1,078,337**

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 11, 2015	April 13, 2015	$0.05
December 4 2014	December 31, 2014	$0.05
September 9, 2014	October 8, 2014	$0.05
May 23, 2014	June 20, 2014	$0.05
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

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 and revisions to estimates are recognized prospectively. Actual results may differ from these estimates.

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

(i) *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 estimates and judgments are 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 or contingencies obligations.

(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) *Recoverability of intangible assets*

The Corporation performs an impairment test, in accordance with the accounting policy stated in note 3(k), to test whether intangible assets under development 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 3(k) and Note 9).

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, 2015. 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 11 – Accounting for acquisitions of interests in joint operations	Outlines specific guidance on accounting for the acquisition of an interest in a joint operation that is a business.	The new standard is not expected to have a significant impact on the Corporation.	January 1, 2016

Proposed standards and amendments	Description	Anticipated impact	Effective date
IFRS 15 – Revenue from contracts with customers	Outlines a new revenue recognition model for contracts with customers based on the underlying principle that revenue is recognized at the amount the Corporation expects to be entitled to in exchange for goods or services under contract. Additional disclosure is also specified.	A formal assessment of the transitional implication to the Corporation will be completed in the future.	January 1, 2017
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, 2018
IFRS 7 – Financial instruments: disclosures	Specifies that additional disclosure is required upon implementation of IFRS 9.	The new standard is not expected to have a significant impact on the Corporation.	January 1, 2018

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 and operating effectiveness of our DC&P was conducted, as at December 31, 2014, 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, 2014, 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 and operating effectiveness of our ICFR using the framework and criteria established in Internal Controls – Integrated Framework of 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO have concluded that as at December 31, 2014, ICFR (as defined in NI 52-109) were effective. There were no changes in our ICFR during the year ended December 31, 2014 that have materially affected, or are reasonably likely to affect, our ICFR.

RISK AND UNCERTAINTIES RELATED TO THE BUSINESS

As at December 31, 2014, there have been no changes in the Corporation's risks or risk management activities since December 31, 2013. 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;
- Economic downturns;
- Cyclicality;
- Reliance on key persons and labour shortages;
- Domestic and foreign competition;
- International sales;
- Business acquisitions;
- Growth strategy risk;
- Hydrocarbon demand risk;
- Insurance sufficiency, availability and rate risk;
- Supply chain risk; and
- Legal compliance risk.

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 FLUCTUATIONS

A downturn in oil and gas prices worldwide has a direct impact on activities of the Corporation's customers. Low commodity prices for an extended period of time will result in reduced demand for many of McCoy Global'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 consumables, replacement parts, service and rental 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.

Management is able to mitigate some of the financial impact of a downturn in activity by reducing its discretionary spending, capital spending and reduce headcount.

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. In addition, this may lead to an inability to collect on accounts for products and services sold. To mitigate this risk, McCoy Global ensures it is operating in the global marketplace where reliance on revenues from one country or another outside of North America is not expected to result in significant revenue shortfalls.

TECHNOLOGY RISKS

McCoy Global'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 Global will be successful in this regard or that McCoy Global will have resources available to meet this continuing demand. Failure to meet this demand could have a material adverse effect on McCoy Global's business, financial condition, results of operations and cash flows. No assurances can be given that McCoy Global's competitors will not achieve technological advantages.

McCoy Global is continually researching the market and trends in order to best manage technology risks. As the Corporation becomes knowledgeable of trends that may require different or disruptive technologies, it reviews the opportunity under various measures and determines if it is a viable research and development project.

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

ECONOMIC DOWNTURNS

Economic downturns may have a negative impact on the Corporation's business since its 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 oil and gas industry, both in Western Canada and globally, the Corporation's overall financial performance is subject to any cyclicality in this sector.

Reliance on Key Persons and Labour Shortages

The potential loss of key personnel is another risk area the Corporation faces. 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 competitors' new products, geographic expansion, quality, delivery, pricing and marketing strategies, the Corporation may lose market share. Foreign and domestic competition presents a risk for the hydraulic power tong market. 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 Global 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.

The Corporation has begun differentiating itself from competitors by expanding its physical operations into international regions of concentrated activity. These international regional locations will increase customer responsiveness by providing customers with regional technical service support, product training, technical sales, capital equipment for sale or rent and warehouses for consumables and replacement parts.

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, sanctions and other trade barriers. The Corporation may not extend credit to certain customers, however, many international customers are given credit terms and 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

The Corporation intends to identify, evaluate and acquire new businesses that are complementary to its overall business strategy. In certain situations, the Corporation may find itself competing for targets with other strategic and non-strategic buyers which may have the desire or ability to value targets at a higher purchase price than McCoy Global. In addition, 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.

Growth Strategy Risk

The Corporation's Board has approved a robust growth strategy for the Corporation. 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 the growth strategy, both organically and by acquisitions. In addition, there is competition for acquiring high-quality 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 Global's manufactured products. To help alleviate some of this risk, management is continuing to grow its consumable, service and replacement parts business for drilling equipment. 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.

Insurance Sufficiency, Availability and Rate Risk

Although the Corporation believes its insurance coverage to be appropriate for the nature of the risks relative to the costs of coverage, such coverage may not be adequate. Furthermore, the Corporation's ability to procure effective insurance at favorable rates is dependent on various operational factors including the number of claims and amounts paid out. To this end, the Corporation attempts to mitigate its risks through various commercial agreements, whereby the risk is appropriately shared.

SUPPLY CHAIN RISK

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. However, there are several suppliers whom the Company relies upon within its supply chain and if something adverse were to happen to one of these suppliers the Company's ability to meet customer demand may be impacted in the short-term until another supplier can be sourced or the part designed internally.

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 several steel suppliers which may assist in the mitigation of disruption of the supply of steel, provided however, a disruption of the overall steel market will have an impact on the Corporation which it may not be able to mitigate.

LEGAL COMPLIANCE RISK

The Corporation does business in, and sells goods into, many countries and its operations are subject to many different laws, customs and cultures. Business is conducted by both McCoy Global personnel and third party representatives. The Corporation is required to comply with applicable anti-corruption laws, including the Canadian Corruption of Foreign Public Officials Act (the "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. Furthermore, certain products and services are subject to the export control laws of the United States, Canada, the United Kingdom, Singapore, the United Arab Emirates and other countries where its products are sold. Failure to comply with the laws and regulations governing exports may result in monetary fines for individuals as well as McCoy Global, loss of McCoy Global's export privileges, imprisonment, and other sanctions. The Corporation has established policies and procedures that McCoy Global personnel must follow to ensure compliance with those laws and regulations.

OTHER INFORMATION

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2014 is available on SEDAR at www.sedar.com.