MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2016

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EXPLANATORY NOTES

The following Management's Discussion and Analysis of Financial Results ("MD&A"), dated March 8, 2017, 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, 2016 and 2015. 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 McCoy Global's:

- future development and organic growth prospects;
- merger and acquisition strategy;
- business strategy; and
- competitive advantages.

Forward-looking statements respecting:

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

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

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

- oil and natural gas price fluctuations;
- domestic and foreign competition;
- technology;
- replacement or reduced use of products and services;
- international operations;
- business mergers and acquisitions;
- supply chain;
- reliance on key persons and labour shortages;
- legal compliance;
- litigation;
- breach of confidentiality;
- safety performance;
- foreign exchange;
- restrictive covenants on credit facility;
- availability of financing;
- selling additional common shares;
- customers' inability to obtain credit/financing
- insurance sufficiency, availability and rate risk;
- information security;
- challenges by taxation authorities; 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 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 or non-GAAP measures presented under IFRS.

EBITDA is calculated under IFRS and is reported as an additional subtotal in the Corporation's consolidated statements of cash flows. EBITDA is defined as net (loss) earnings, before:

- finance charges, net;
- income tax expense (recovery);
- depreciation; and
- amortization.

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

- finance charges, net;
- income tax expense (recovery);
- depreciation;
- amortization;
- impairment losses;
- restructuring charges;
- other (gains) losses, net;
- inventory excess and obsolete charges; and
- share-based compensation.

The Corporation reports on EBITDA and adjusted EBITDA because they are key measures used by management to evaluate performance. The Corporation believes adjusted EBITDA assists investors in assessing McCoy Global's current operating performance on a consistent basis without regard to non-cash or non-recurring items that can vary significantly depending on accounting methods or non-operating factors.

Adjusted EBITDA is not considered an alternative to net (loss) 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. For comparative purposes, in previous financial disclosures 'adjusted EBITDA' was defined as "net (loss) earnings before finance charges, net, income tax expense (recovery), depreciation, amortization, impairment losses, restructuring charges, non-cash changes in fair value related to derivative financial instruments and share-based compensation. The Corporation revised its definition of adjusted EBITDA in the current reporting period, as management believes the revised metric provides a better measure for assessing McCoy Global's current operating performance without regard to inventory excess and obsolete charges and other gains or losses, net; which are non-cash or non-recurring in nature. Adjusted EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

OUTLOOK AND FORWARD-LOOKING INFORMATION

Despite the continued uncertainty in the oil and gas markets in 2016, McCoy Global began to benefit from further cost restructuring activities that commenced mid-year. During the fourth quarter of 2016, an improvement in customer sentiment was noticed as industry fundamentals showed signs of beginning to stabilize and in certain regions, improve. This increase in activity has carried into the beginning of 2017.

In 2016, the organization was focused on restructuring activities and cash preservation which have positioned McCoy Global to begin 2017 a much leaner and more efficient organization. This included a formal Restructuring Plan which further reduced the Corporation's cost base, while retaining a strong management team, geographic presence and core infrastructure and competencies. The Restructuring Plan was successfully executed in the second and third quarters of 2016, which along with a strong emphasis on cash preservation, positioned McCoy to exit 2016 with $22.2 million of cash and no debt.

In 2017, generating positive adjusted EBITDA has become the organization's primary focus. McCoy Global plans to achieve this through new growth opportunities, participating in an increase in market activity and making modifications to the Corporation's operating model to become more adaptive to oil and natural gas cycles for the longer term. The Corporation remains exposed to fluctuations in market trends and customers' investments in capital equipment, aftermarket purchases and equipment rental requirements.

In the first quarter of 2017, McCoy Global executed on a new growth opportunity and announced the acquisition of the assets of Austin, Texas based 3PS, Inc. ("3PS"), a company specialized in sensors, systems and services for several industry applications, including Torque and Tension Sub (TTS) technology. This strategic acquisition positions McCoy as a global leader in TTS technology and contributes valuable design and engineering expertise for further development of data collection technologies. McCoy's and 3PS's complementary customer base; product and service portfolios; alongside its skilled research and development teams will provide growth opportunities. The combination is expected to benefit from McCoy's global footprint by providing additional international sales and service opportunities in the Eastern Hemisphere for the 3PS product-line and service offerings. 3PS's proficiency in developing highly engineered sensor and software products will also broaden the technical expertise of McCoy's product development team, enhancing McCoy's ability to efficiently deliver market leading technologies and develop future revenue opportunities. The acquisition was for total consideration of US $6.1 million, subject to any closing adjustments.

Looking ahead, the outlook for 2017 is improved from 2016. This optimism is tempered with caution, as it is uncertain whether this is a long-term market trend. McCoy is well-positioned to take advantage of improved industry fundamentals as a result of investments made in growing and maintaining market leading technologies, a strong geographic presence and finished capital equipment that is ready to deploy.

In the first quarter of 2017 McCoy Global initiated further changes to its operating model to reduce its fixed costs and established a plan to take advantage of the technical expertise and product offerings gained through the integration of the 3PS acquisition. These changes will provide more agility to respond to industry cycles. To achieve this, McCoy will transition from in-house manufacturing at its Edmonton production facility and move towards an assembly production model in 2017. In addition, McCoy is in the process of transitioning its WINCATT® and weCATT™ production from Edmonton to Austin, Texas to consolidate production of complementary products that 3PS and McCoy historically produced.

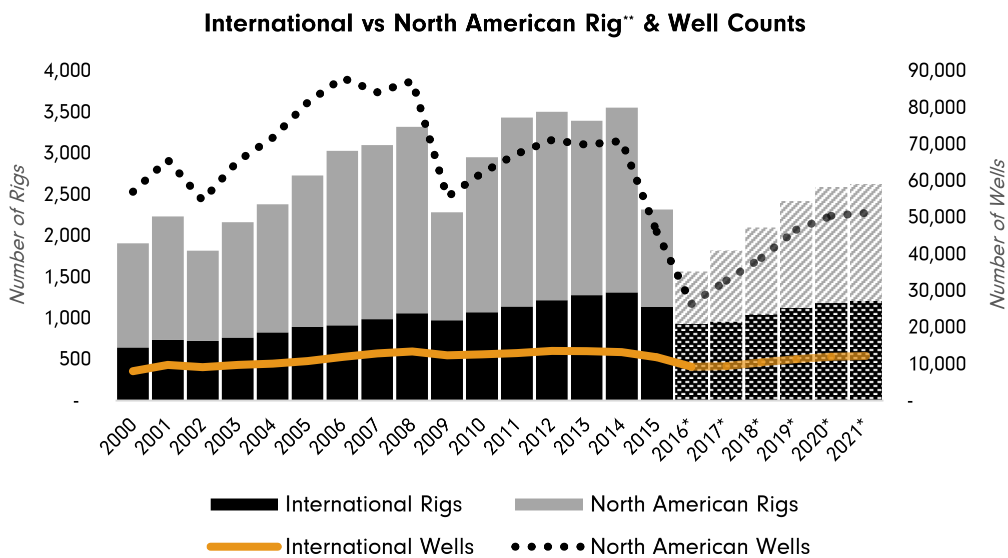
In summary, we enter 2017 with some exciting opportunities for our products and services. There remain some challenges ahead, but we are looking forward to beginning the next phase in our over 100 year journey as an organization.

MARKET CONDITIONS

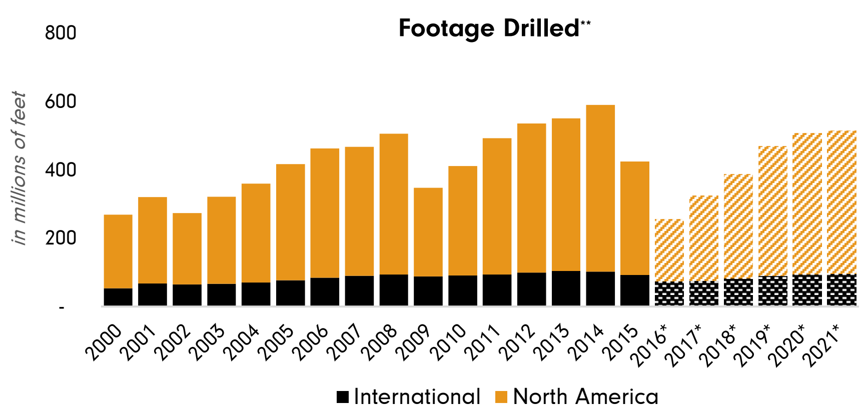
The demand for McCoy Global's products and services is ultimately driven by oil and natural gas prices. Oil and natural gas prices typically drive exploration and production companies to increase or decrease capital spending which in turn leads to a corresponding increase or decrease in drilling and completions activity. The Corporation has higher leverage to drilling activity and as this activity increases or decreases, customers adjust purchasing of capital equipment and aftermarket products and services to meet demand of exploration and production companies.

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

A summary of historical and forecasted rig and well counts, including land and offshore, obtained from Spears & Associates Drilling and Production Outlook, December 2016, is as follows:



A summary of historical and forecasted footage drilled, including land and offshore, obtained from Spears & Associates Drilling and Production Outlook, December 2016, is as follows:



**Estimated*
***Cumulative*

During this extended down-cycle, there has been limited ability to sell capital equipment as customers took measures to conserve cash. The severity of this down-cycle also significantly impacted aftermarket revenues, with many customers deferring equipment maintenance, cannibalizing idle equipment for any required parts and destocking inventories of parts and consumables.

Looking ahead, it appears that market conditions have stabilized with improved customer sentiment for the short to medium-term. To take advantage of any recovery in drilling activity, many customers will need to replenish their capital equipment fleets and inventories of aftermarket parts and consumables. As customers remain cash-constrained, there continues to be a shift to just-in-time purchasing and some growing demand for rental opportunities. McCoy has strategically positioned itself to take advantage of these opportunities through the investments it has made in its rental fleet and finished goods inventories.

Further, well construction continues to become more complex and there is greater emphasis within the industry on data collection and automation technologies. Some consolidations of drilling services providers, including tubular running services, and drilling contractors are beginning to occur. McCoy Global continues to invest in new product technologies to meet changing requirements for better efficiency and safety. The strategic acquisition of 3PS will contribute valuable design and engineering expertise for future development of sensor and data collection technologies and better positions McCoy Global to meet the future technological challenges faced by customers.

As McCoy Global's customers work to achieve profitability in a moderate oil price environment, they have been required to quickly shift investment from one geographic region to another to take advantage of all areas of activity. McCoy is well-positioned to take advantage of these opportunities with the investments it has made in its international service and distribution centers. McCoy Global has the infrastructure to be agile in response to quickly changing market demands around the world.

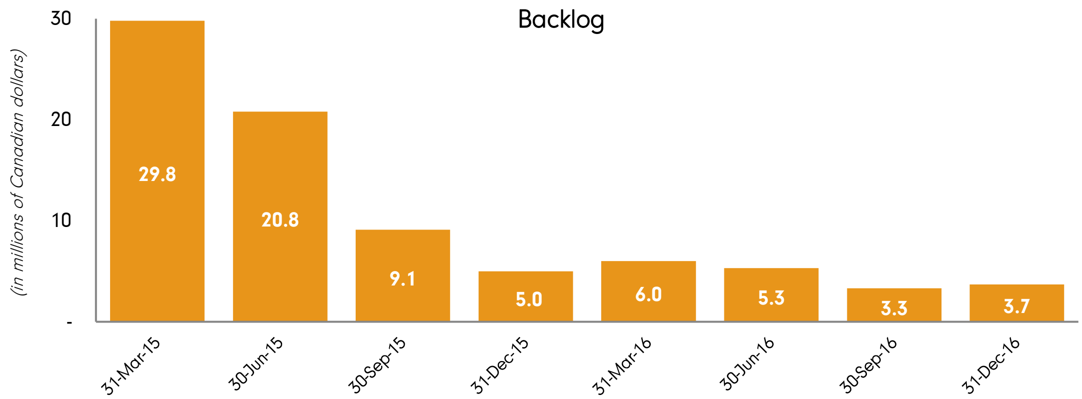
Backlog

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

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

Expected delivery dates for orders recorded in backlog typically span from one to six months. Under current market conditions customers have shifted purchasing habits towards a more just-in-time model and to standard capital equipment and aftermarket parts and consumables that are carried in finished goods inventory, which typically move through backlog quicker than more complex custom orders that require longer production lead times.

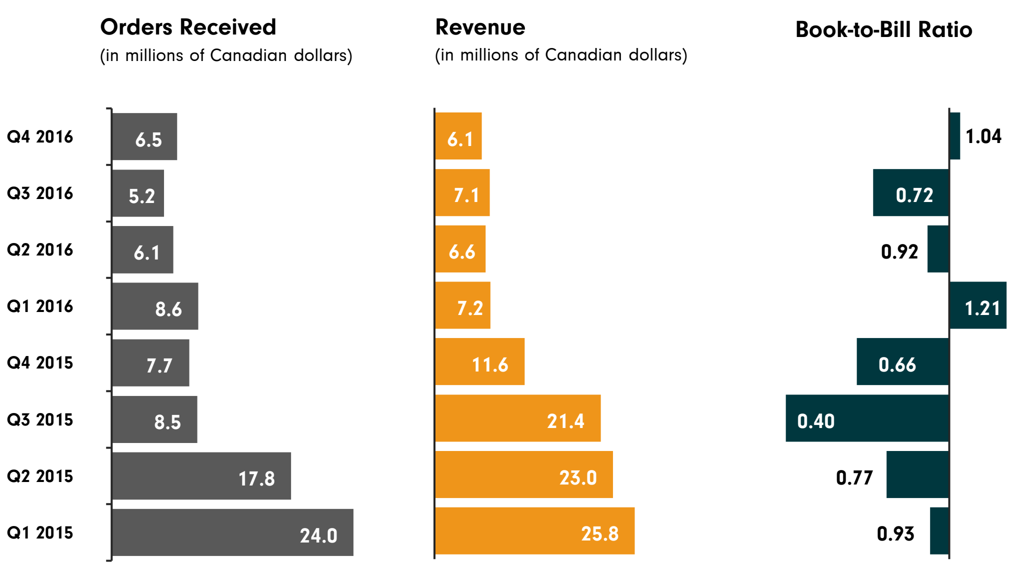
McCoy Global's backlog as at December 31, 2016 totaled $3.7 million, an increase of $0.4 million or 13% from September 30, 2016.



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.

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 equipment and technologies used for making up threaded connections in the global oil and gas industry. McCoy Global's core products are used predominantly during the well construction phase for both land and offshore wells during both oil and gas exploration.

The Corporation is engaged in the following:

- Design, production and distribution of 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 product and services such as technical support, consumables (dies and inserts), and replacement parts;
- Repair, maintenance, and calibration of the Corporation's capital equipment and similar competitor products; and
- Rental of the Corporation's capital equipment.

In the first quarter of 2017, the Corporation acquired the assets of Austin, Texas based 3PS, Inc., a company that specializes in sensors, systems and services for heavy industry applications, including TTS technology. 3PS designs and engineers customized sensors and related systems for a variety of applications and industries including oil and gas, construction, marine, and aerospace.

Set out below are McCoy Global's principal operations:

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

FINANCIAL RESULTS

SUMMARY OF CONSOLIDATED ANNUAL RESULTS

For the year ended December 31 ($000 except per share amounts)	**2016**	2015	2014
Revenue	**26,999**	81,776	120,619
Net (loss) earnings from continuing operations	**(35,926)**	(10,977)	9,369
Per common share – basic	**(1.30)**	(0.40)	0.34
Per common share – diluted	**(1.30)**	(0.40)	0.34
Earnings from discontinued operations (net of tax)[1]	**-**	-	8,638
Net (loss) earnings	**(35,926)**	(10,977)	18,007
Per common share – basic	**(1.30)**	(0.40)	0.65
Per common share – diluted	**(1.30)**	(0.40)	0.65
Adjusted EBITDA	**(13,192)**	4,103	21,295
Per common share – basic	**(0.48)**	0.15	0.77
Per common share – diluted	**(0.48)**	0.14	0.77
Dividends per common share	**-**	0.10	0.20
Total assets	**69,895**	110,567	131,941
Total liabilities	**10,090**	13,098	29,568
Total non-current liabilities	**3,630**	454	4,081

EBITDA and adjusted EBITDA are calculated as follows:

For the year ended December 31 ($000)	**2016**	2015	2014
Net (loss) earnings from continuing operations	**(35,926)**	(10,977)	9,369
Income tax (recovery) expense	**(3,735)**	(61)	3,798
Finance charges, net	**116**	604	374
Depreciation	**3,465**	4,438	3,679
Amortization	**1,226**	3,173	2,681
EBITDA	**(34,854)**	(2,823)	19,901
Share-based compensation	**332**	393	208
Impairment charges	**6,645**	5,898	202
Restructuring charges	**9,557**	1,277	-
Other losses (gains), net	**2,463**	(2,239)	28
Provisions for excess and obsolete inventory	**2,665**	1,597	956
Adjusted EBITDA	**(13,192)**	4,103	21,295

[1] Earnings from discontinued operations (net of tax) for the year ended December 31, 2014 includes an estimated one-time gain on the sale of the Corporation's former Mobile Solutions segment and Coatings & Hydraulics division.

REVENUE

	For the year ended December 31			
($000 except percentages)	2016	2015	Change	% Change
Revenue	**26,999**	81,776	(54,777)	(67%)

Revenues were significantly impacted by the prolonged down-cycle, with industry fundamentals creating pricing pressure and depressed demand for capital equipment. Customer spending remained at unprecedented low levels with customers taking all available measures to conserve cash and delay purchases.

Aftermarket revenue, as a percentage of overall revenue, is typically higher in a down-cycle as customers defer capital equipment spend and maintain their existing equipment fleet. The percentage of aftermarket revenues in comparison to overall revenue increased in 2016, however, the severity of the down-cycle led to many customers deferring equipment maintenance, cannibalizing idle equipment for any required parts and servicing equipment internally.

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, for example, in the United States, 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.

	For the year ended December 31			
($000 except percentages)	2016	% of total	2015	% of total
United States & Latin America	**9,656**	**36%**	34,159	42%
Middle East & Africa	**7,629**	**28%**	12,825	16%
Europe	**5,957**	**22%**	22,257	27%
Asia Pacific	**2,121**	**8%**	6,831	8%
Canada & Russia	**1,636**	**6%**	5,704	7%
Total	**26,999**	**100%**	81,776	100%

GROSS PROFIT

($000 except percentages)	For the year ended December 31 2016	2015	Change	% Change
Gross profit	**(5,709)**	20,681	(26,390)	(128%)
Gross profit %	***(21%)***	*25%*	*(46%)*	

Gross profit was negatively impacted by the substantial decline in revenues realized as a result of the down-cycle and the inability of production facilities to absorb their fixed cost base. Although the restructuring efforts implemented by management have reduced the Corporation's cost structure to better align with current market conditions, the 67% decline in revenue was so substantial that re-adjusting the production cost structure to keep pace with the decline was difficult given the nature of the fixed cost structure in place.

To a lesser extent, gross profit percentage was also impacted by product mix as current market conditions have resulted in fewer higher margin capital equipment and software orders. Pricing pressure has intensified in many regions, which has also placed downward pressure on gross profit percentage. Gross profit also included a $2.7 million non-cash charge related to provisions for excess and obsolete inventory (2015 - $1.6 million).

GENERAL AND ADMINISTRATION (G&A)

($000 except percentages)	For the year ended December 31 2016	2015	Change	% Change
General and administration	**11,040**	20,004	(8,964)	(45%)
General and administration as a % of revenue	***41%***	*24%*	*17%*	

G&A expenses declined as a result of the successful implementation of restructuring initiatives as well as discipline around overhead spend.

The Corporation has remained focused on implementing process improvements and operational efficiencies during the down-cycle which will position McCoy Global as a leaner and more efficient organization that can increase scale when market conditions improve.

SALES AND MARKETING

($000 except percentages)	For the year ended December 31 2016	2015	Change	% Change
Sales and marketing	**3,092**	4,811	(1,719)	(36%)
Sales and marketing as a % of revenue	***11%***	*6%*	*5%*	

Sales and marketing expenses declined as a result of the successful implementation of restructuring efforts, while balancing strategic sales and marketing initiatives.

Customer responsiveness continues to be a key priority for McCoy Global. While restructuring initiatives have reduced the workforce and contained discretionary spend, a strong technical sales team remains in place and will continue to be a focus for the Corporation as growth opportunities are explored.

RESEARCH AND DEVELOPMENT (R&D)

($000 except percentages)	For the year ended December 31			
	2016	2015	Change	% Change
Research and development expense	**1,039**	1,364	(325)	(24%)
Capitalized development expenditures	**52**	1,129	(1,077)	(95%)
Total research and development	**1,091**	2,493	(1,402)	(56%)
Research and development as a % of revenue	**4%**	3%	1%	

As a percentage of revenue, R&D spend held consistent. This was a result of balancing the short-term impact of R&D expenditures on cash preservation with the longer-term implications on strategy and shareholder value creation.

Though McCoy Global's investment in R&D was impacted by restructuring initiatives, McCoy Global has continued to invest in the development of new products and technologies during the down-cycle even though the value of these opportunities and efforts will occur in 2017 and beyond. Preserving McCoy Global's ability to continue to deliver market leading technologies remains paramount, and accordingly investments during this down-cycle have shifted to developing technologies that are less capital intensive and that can be commercialized quickly. These efforts, along with McCoy's recent acquisition, will continue to expand the Corporation's current product offering and develop future revenue opportunities. McCoy Global is well recognized by our customers for the ability to respond to ever changing technical requirements.

OTHER ITEMS

($000 except percentages)	For the year ended December 31			
	2016	2015	Change	% Change
Restructuring charges	**9,557**	1,277	8,280	648%
Impairment charges	**6,645**	5,898	747	13%
Other losses (gains), net	**2,463**	(2,239)	4,702	(210%)
Finance charges, net	**116**	604	(488)	(81%)

Restructuring charges for the year ended December 31, 2016 largely relate directly to the Restructuring Plan announced in the second quarter of 2016 and are comprised of four components:

(i) onerous lease contracts of $4.0 million related to future facility costs for facilities under lease which the Corporation does not intend to utilize as a result of the Restructuring Plan;
(ii) inventory write-downs of $4.0 million related to product lines which were impacted by the Restructuring Plan as a result of the closure of facilities and reduction in workforce;
(iii) severance pay and benefits of $1.1 million related to the reduction in workforce as a result of the Restructuring Plan; and
(iv) other direct costs of $0.5 million incurred to support the Restructuring Plan.

Restructuring charges for the year ended December 31, 2015 included severance pay and benefits related to reductions in workforce.

Impairment charges for the year ended December 31, 2016 relate to property, plant and equipment and internally generated intellectual property that became impaired as a result of the Restructuring Plan. For the year ended December 31, 2015, impairment charges related to certain new product development projects previously in progress which were suspended as a result of changing customer needs in the current market environment.

For the year ended December 31, 2016, other losses (gains), net, includes foreign exchange losses recognized on the Corporation's United States denominated financial instruments held by Canadian entities; recognition of expenses related to previous business divestitures; expenditures associated with the acquisition of the assets of 3PS; and net gains on the disposition of property, plant and equipment. In the comparative year, other losses (gains), net, included foreign exchange gains recognized on the Corporation's United States denominated financial instruments held by Canadian entities, offset by net losses on the disposition of property, plant and equipment.

Finance charges, net, for the year ended December 31, 2016 consist primarily of standby fees on the Corporation's previous syndicated credit facility which was cancelled during the year. For the year ended December 31, 2015 this includes both standby fees and the amortization of deferred finance charges.

SUMMARY OF CONSOLIDATED FOURTH QUARTER RESULTS

For the three months ended December 31 ($000 except per share amounts)	**2016**	2015
Revenue	**6,120**	11,648
Net loss	**(4,359)**	(10,792)
Per common share – basic	**(0.16)**	(0.39)
Per common share – diluted	**(0.16)**	(0.39)
Adjusted EBITDA	**(1,620)**	(4,029)
Per common share – basic	**(0.06)**	(0.15)
Per common share – diluted	**(0.06)**	(0.15)

EBITDA and adjusted EBITDA are calculated as follows:

For the three months ended December 31 ($000)	**2016**	2015
Net loss	**(4,359)**	(10,792)
Income tax expense (recovery)	**(264)**	(117)
Finance charges, net	**11**	326
Depreciation	**621**	1,225
Amortization	**335**	749
EBITDA	**(3,656)**	(8,609)
Share-based compensation	**137**	60
Impairment charges	**-**	4,765
Restructuring charges (reversals)	**(54)**	14
Other losses (gains), net	**1,029**	(285)
Provisions for excess and obsolete inventory	**924**	26
Adjusted EBITDA	**(1,620)**	(4,029)

REVENUE

($000 except percentages)	For the three months ended December 31 2016	2015	Change	% Change
Revenue	**6,120**	11,648	(5,528)	(47%)

Despite a modest increase in North American land activity, oilfield equipment and services markets remained challenging during the fourth quarter of 2016. Customers continued to delay capital equipment purchases until absolutely required or until approval was received for their 2017 capital budgets.

GROSS PROFIT

($000 except percentages)	For the three months ended December 31 2016	2015	Change	% Change
Gross profit	**(586)**	(456)	(130)	29%
Gross profit %	***(10%)***	*(4%)*	*(6%)*	

For the three months ended December 31, 2016, gross profit continued to be negatively impacted by the substantial decline in revenues realized as a result of the down-cycle and the inability of production facilities to fully absorb their fixed cost base.

In comparing the fourth quarter of 2016 to 2015, revenues declined by 47% and gross profit was consistent despite the large decrease in revenue. This is a direct result of restructuring and cost containment initiatives.

GENERAL AND ADMINISTRATION (G&A)

($000 except percentages)	For the three months ended December 31 2016	2015	Change	% Change
General and administration	**2,444**	4,106	(1,662)	(40%)
General and administration as a % of revenue	***40%***	*35%*	*5%*	

G&A expenses declined by 40% in comparison to the fourth quarter of 2016, largely as a result of restructuring and cost containment initiatives which removed significant costs from the Corporation's overheads including senior management and executive positions.

SALES AND MARKETING

($000 except percentages)	For the three months ended December 31 2016	2015	Change	% Change
Sales and marketing	**536**	1,033	(497)	(48%)
Sales and marketing as a % of revenue	***9%***	*9%*	-	

Sales and marketing expenses declined by 48% in comparison to the fourth quarter of 2016, also largely as a result of restructuring and cost containment initiatives.

RESEARCH AND DEVELOPMENT

($000 except percentages)	For the three months ended December 31			
	2016	2015	Change	% Change
Research and development expense	**71**	494	(423)	(86%)
Capitalized development expenditures	**42**	30	12	40%
Total research and development	**113**	524	(411)	(78%)
Research and development as a % of revenue	**2%**	4%	(2%)	

The reduction in R&D spend for the three months ended December 31, 2016, was a result of balancing the short-term impact of R&D expenditures on cash preservation with the longer-term implications on strategy and shareholder value creation.

McCoy Global has continued to invest in the development of new products and technologies, however investments during this down-cycle have shifted to developing technologies that are less capital intensive and that can be commercialized quickly.

OTHER ITEMS

($000 except percentages)	For the three months ended December 31			
	2016	2015	Change	% Change
Restructuring charges	**(54)**	14	(68)	(486%)
Impairment charges	**-**	4,765	(4,765)	(100%)
Other (gains) and losses, net	**1,029**	(285)	1,314	(461%)
Finance charges, net	**11**	326	(315)	(97%)

Restructuring charges for the three months ended December 31, 2016 are a result of a change to estimates associated with previously recorded restructuring provisions. In the comparative period, restructuring charges related to severance payments.

Impairment charges recognized in the comparative period relate to internally generated intellectual property projects previously under development which were suspended as a result of changing customer needs in the current market environment.

For the three months ended December 31, 2016, other losses (gains), net, include foreign exchange gains recognized on the Corporation's United States denominated financial instruments held by Canadian entities, recognition of expenses related to a previous business divestiture; expenditures associated with the acquisition of the assets of 3PS; and net loss on the disposition of property, plant and equipment. In the comparative period, other losses (gains), net, included foreign exchange gains of recognized on the Corporation's United States denominated financial instruments held by Canadian entities, offset by net losses on the disposition of property, plant and equipment.

Finance charges, net, are primarily comprised of costs associated with establishing or maintaining the Corporation's credit facility and operating line of credit. Deferred financing costs of $0.3 million were amortized in the fourth quarter of 2015.

Summary of Quarterly Results

($000 except per share amounts)	2016				2015			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	**6,120**	7,137	6,583	7,159	11,648	21,376	22,952	25,800
Impairment and restructuring charges (reversals)	**(54)**	(415)	12,244	4,427	4,779	2,170	226	-
Net (loss) earnings	**(4,359)**	(3,094)	(19,096)	(9,377)	(10,792)	(1,963)	(451)	2,229
Basic (loss) earnings per share	**(0.16)**	(0.11)	(0.69)	(0.34)	(0.39)	(0.07)	(0.02)	0.08
Diluted (loss) earnings per share	**(0.16)**	(0.11)	(0.69)	(0.34)	(0.39)	(0.07)	(0.02)	0.08
Adjusted EBITDA	**(1,620)**	(2,367)	(5,068)	(4,137)	(4,029)	24	3,331	4,777

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

At December 31, 2016, the Corporation has $22.2 million in cash and cash equivalents and has no outstanding debt obligations. Subsequent to December 31, 2016, the Corporation's $5.0 million operating line was cancelled and replaced with a non-revolving term loan and an operating line of credit. US $4.5 million was drawn against these new facilities in the first quarter of 2017 to fund the acquisition of 3PS.

Selected cash flow and capitalization information is as follows:

For the year ended December 31 ($000)	**2016**	2015
Cash (used in) generated from operating activities	**(7,200)**	3,705
Cash generated from (used in) investing activities	**1,485**	(2,001)
Cash used in financing activities	**-**	(2,735)

Cash used in operating activities for the year ended December 31, 2016, was primarily impacted by a reduction in adjusted EBITDA, which was offset by a reduction in working capital and receipt of corporate tax refunds. In the prior year, cash generated from operating activities was a result of positive adjusted EBITDA and working capital reductions, offset by net cash tax payments incurred as a result of profitability in the previous fiscal year.

For the year ended December 31, 2016 cash generated from investing activities was comprised of proceeds from the sale of PPE, partially offset by PPE purchases. In the prior year, additions to intangible assets as a result of capitalized development costs impacted cash flows which were offset by the collection of $0.9 million of proceeds from escrow related to a previous completed divestiture.

Cash used in financing activities for the year ended December 31, 2016 was $nil. In the prior year, cash flows from financing activities primarily related to the payment of dividends. The Board of Directors approved the suspension of the quarterly dividend in the third quarter of 2015.

For the three months ended December 31 ($000)	**2016**	2015
Cash generated from operating activities	**3,185**	3,952
Cash used in investing activities	**(586)**	(883)

Cash generated in operating activities for the three months ended December 31, 2016, was primarily generated through a reduction in working capital and receipt of corporate tax refunds; offset by negative adjusted EBITDA. In the prior year, cash generated from operating activities arose through working capital reductions partially offset by operating losses.

For both the three months ended December 31, 2016 and 2015, cash used in investing activities was comprised of PPE purchases, partially offset by proceeds from the sale of PPE.

FINANCIAL RISK MANAGEMENT

The Corporation's activities are exposed to a variety of financial risks of varying degrees of significance, which could affect the Corporation's ability to achieve strategic objectives. Overall, risk management programs focus on the unpredictability of financial and economic markets and seek to minimize potential adverse effects on financial performance. The principal financial risks to which the Corporation is exposed are described in note 20 of the Consolidated Annual Financial Statements for the year ended December 31, 2016.

OTHER FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS

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

As at December 31 ($000)	Due in less than one year	Due between one and five years	Due later than five years	Total
Trade and other payables	3,655	-	-	**3,655**
Legal provisions	1,185	-	-	**1,185**
Onerous lease provisions	669	2,226	345	**3,240**
Undiscounted cash flows for financial liabilities	**5,509**	**2,226**	**345**	**8,080**
Minimum lease payments, excluding onerous lease contracts	3,005	4,072	315	**7,392**
Sublease payments to be (received)	(989)	(266)	-	**(1,255)**
Future aggregate minimum lease payments under non-cancellable operating leases	**2,016**	**3,806**	**315**	**6,137**
Purchase commitments for inventory and operating supplies	477	-	-	**477**
	8,002	**6,032**	**660**	**14,694**

RELATED PARTY TRANSACTIONS

Divestiture

On September 15, 2014, the Corporation divested the Coating & Hydraulics division. A member of the Corporation's Board of Directors is the Chairman of, and holds an equity interest in, the purchaser of the Coatings & Hydraulics division. To facilitate the sale and minimize any potential conflicts of interest, the Corporation engaged a third party brokerage firm to solicit offers within the marketplace, manage the sales process and assist in negotiating the definitive agreements. During the year, the Corporation reached an agreement with the purchaser of the Coatings & Hydraulics division regarding closing adjustments resulting in cash proceeds of $0.2 million and a gain of $nil.

The Corporation has entered into agreements indemnifying the purchaser with respect to certain leased premises associated with the Coatings & Hydraulics division as described in note 11(d) of the Consolidated Annual Financial Statements for the year ended December 31, 2016.

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, 2016 and 2015 are as follows:

For the years ended ($000)	**2016**	2015
	$	$
Salaries and other short-term employee benefits	**1,907**	2,311
Share-based payments	**262**	334
Termination benefit	**502**	-
	2,671	2,645

Operating lease expense

The Corporation had three lease agreements with companies controlled by individuals who were Directors of the Corporation's Board until May 14, 2015.

The Corporation recorded an annual operating lease expense of $1,117 in the prior year with respect to related party operating leases disclosed above.

OUTSTANDING SHARE DATA

As at March 8, 2017 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	27,704,239
Convertible equity securities:	
Stock options	2,550,000

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
May 15, 2015	June 11, 2015	$0.05
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

On September 3, 2015, the Corporation announced that the Board of Directors approved the suspension of the quarterly dividend payment. Future declarations of dividends is at the sole discretion of the Board and will continue to be evaluated on a quarterly basis.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) *Trade and other receivables*

The Corporation records trade and other receivables at amortized cost. Write downs for trade and other receivables are recorded each period as required and updated based on management's judgment.

(ii) *Inventories*

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

(iii) *Provisions*

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

(iv) *Income tax*

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

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

(v) *Impairment of financial assets*

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets carried at amortized cost is impaired. Judgment is used in determining whether any indications of impairment over the loan or receivable are present and in determining the likelihood, timing and estimated future cash inflows related to the loan or receivable.

(vi) *Impairment of non-financial assets*

Long-lived assets include property, plant and equipment and intangibles assets. The carrying value of these assets is periodically reviewed for impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the Corporation's accounting policy. Judgment is required in the aggregation of assets into Cash Generating Units "CGUs".

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

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 that are not effective for December 31, 2016 reporting periods. 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 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, 2018
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
IFRS 16 – Leases	Specifies that lessees are to recognize leases that were traditionally recorded as operating leases in a similar way to finance leases under existing IAS 17.	A formal assessment of the transitional implications to the Corporation will be completed in the future.	January 1, 2019

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. There are no other standards that are not yet effective and that would be expected to have a material impact on the Corporation in the current or future reporting periods.

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, 2016, 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, 2016, 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, 2016, ICFR (as defined in NI 52-109) were effective. There were no changes in our ICFR during the year ended December 31, 2016 that have materially affected, or are reasonably likely to affect, our ICFR.

RISK AND UNCERTAINTIES RELATED TO THE BUSINESS

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

- Oil and natural gas price fluctuations;
- Domestic and foreign competition;
- Technology;
- Replacement or reduced use of products and services;
- International operations;
- Business mergers and acquisitions;
- Supply chain;
- Reliance on key persons and labour shortages;
- Legal compliance;
- Litigation;
- Breach of confidentiality;
- Safety performance;
- Foreign exchange;
- Restrictive covenants on credit facility;
- Availability of financing;
- Selling additional common shares;
- Customers' inability to obtain credit/financing
- Insurance sufficiency, availability and rate risk;
- Information security; and
- Challenges by taxation authorities.

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

RISK FACTORS

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

OIL AND NATURAL GAS FLUCTUATIONS

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

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

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

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

Domestic and Foreign Competition

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

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

Technology

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

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

Replacement or Reduced Use of Products and Services

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

International Operations

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

- an uncertain political and economic environment;
- the loss of revenue or property and equipment as a result of expropriation, confiscation, nationalization, contract deprivation and force majeure;
- war, terrorist acts or threats, civil insurrection, and geopolitical and other political risks;
- fluctuations in foreign currency and exchange controls;
- restrictions on the repatriation of income or capital;
- increases in duties, taxes and governmental royalties;
- changes in laws and policies governing operations of foreign-based companies; and
- trade restrictions or embargoes imposed by the U.S. or other countries.

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

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

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

Business Mergers and Acquisitions

McCoy Global considers and evaluates mergers and acquisitions of, or investments in, complementary businesses and assets as part of McCoy Global's growth strategy. Any merger or acquisition could have a material adverse effect on the Corporation's operating results, financial condition, or the price of the Corporation's securities. Mergers and acquisitions involve numerous risks, including unanticipated costs and liabilities, difficulty in integrating the operations and assets of the acquired business, the ability to properly access and maintain an effective internal control environment over an acquired company to comply with public reporting requirements, potential loss of key employees and customers of the acquired companies, and an increase in the Corporation's expenses and working capital requirements.

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

Supply Chain

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

Steel is a component of the Corporation's products and a component of many of the parts purchased by the Corporation for the production of 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.

Reliance on Key Persons and Workforce Availability

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

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

Legal Compliance

The Corporation does business in, and sells goods into, many countries and its operations are subject to many different laws, customs and cultures. Business is conducted by both McCoy Global personnel and third party representatives. The Corporation is required to comply with applicable anti-corruption laws, including the Canadian Corruption of Foreign Public Officials Act (the "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.

Litigation

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

Breach of Confidentiality

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

Safety Performance

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

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

Foreign Exchange

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

Restrictive Covenants on Credit Facility

The Corporation's credit facility contains a number of covenants which, among other things, restrict McCoy Global and some of its subsidiaries from conducting certain activities. In addition, the Corporation must satisfy and maintain certain financial covenants. Events beyond the control of the Corporation could affect its ability to meet these covenants. If any of the covenants are breached, it could result in a default under the credit facility. If there is a default, the lender could decide to declare all amounts outstanding under the credit facility due and payable immediately, and terminate any commitments to extend further credit.

Availability of Financing

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

Selling additional common shares

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

Customers' inability to obtain credit/financing

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

Insurance Sufficiency, Availability and Rate

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

Information Security

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

CHALLENGES BY TAXATION AUTHORITIES

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

OTHER INFORMATION

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2016 is available on SEDAR at www.sedar.com.