



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021



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EXPLANATORY NOTES

The following Management's Discussion and Analysis of Financial Results ("MD&A"), dated August 5, 2021, 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, 2020 and 2019. The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts in the following MD&A are in Canadian dollars unless otherwise stated. References to "McCoy," "McCoy Global," "the Corporation," "we," "us" or "our" mean McCoy Global Inc. and its subsidiaries, unless the context otherwise requires. Additional information relating to McCoy Global, including periodic quarterly and annual reports and Annual Information Forms ("AIF"), filed with Canadian securities regulatory authorities, is available on SEDAR at sedar.com and our website at mccoyglobal.com.

FORWARD-LOOKING INFORMATION AND STATEMENTS

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

Forward-looking statements relating to McCoy Global's:

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

Forward-looking statements respecting:

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

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

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

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

Readers are cautioned that the foregoing list is not exhaustive.

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

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

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

DESCRIPTION OF NON-GAAP MEASURES

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

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

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

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

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

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

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

STRATEGIC ACHIEVEMENTS

McCoy remains committed to its key strategic objectives and we are pleased to report our progress:

Advancing our Digital Technology Roadmap

To support a prosperous future regardless of market conditions, we committed to prudent investment in our “Digital Technology Roadmap” initiative. Since January 1, 2021, we achieved key development milestones on McCoy’s Smart Tubular Running System (SmartTR™):

- Completed prototyping, internal design validation, and commenced field trials for McCoy’s SmartCRT™, an intelligent, connected enhancement of our conventional casing running tool that offers superior safety, efficiency and simplified operating procedures. Results of field testing have allowed us to refine certain of the tool features, and we expect to have enhancements complete in the third quarter. We have engaged target Tier 1 customers and have received strong positive responses to the tool’s features. Further customer field testing will be completed in the second half of the year.
- Conducting external field trials with 5 customers for our Virtual ThreadRep™ 2.0 technology, which allows customers to remotely monitor and control premium connection make-up. The field trials have taken place with positive results, and we have demonstrated our value proposition to our target Tier 1 customers in the North America Land market. We expect the positive field trial performance to continue and will support commercial launch.
- During the second quarter, the first phase of development was commenced for McCoy’s “Virtual ThreadRep™ 3.0” technology, which will allow the torque turn software to autonomously evaluate and confirm premium connection make-up. Our digital, cloud-based platform, Nimbus™, that enables Virtual ThreadRep™, is the foundation for our continued development as we integrate, digitize, and automate the historically manual processes of tubular make up through our SmartTR™. This integrated system will enhance safety, efficiency and wellbore integrity for our customers while significantly reducing cost.
- The focus on commercial success of our innovations remains key to McCoy’s future. In the first half of 2021, new product and technology offerings¹ contributed \$2.9 million, or 21% of total revenue (1H 2020 – \$3.2 million or 15%). 2021 will be a pivotal year for McCoy as we gain traction on our recently commercialized ‘Smart’ product offerings, grow market adoption, and continue to build momentum on new product revenues.
- Looking ahead, we plan to deploy up to US\$1.3 million of investment on the Corporation’s Digital Technology Roadmap over the rest of 2021 to complete the development of the remaining components of McCoy’s SmartTR™.

¹ McCoy defines new product and technology offerings as products or technologies introduced to our portfolio in the past 36 months.

Positive Adjusted EBITDA & Earnings Performance

Despite a 41% decline in revenue, quarter over quarter, McCoy's continued fiscal discipline resulted in Adjusted EBITDA of \$0.2 million or 3% of revenue (Q2 2020 – Adjusted EBITDA of \$0.9 million, or 13% of revenue). EBITDA performance for the quarter was impacted by \$2.0 million of shipments held as a result of delays in collection of customer advance payment. Payments for these orders were received in early July 2021 with revenues recognized in Q3 2021. In spite of the revenue miss, our gross profit percentage improved from the comparative period and we have maintained our lean cost structure which will provide a foundation for strong earnings growth when revenues rebound as the year progresses.

In May of 2021, we received forgiveness for first-round funding under the US Paycheck Protection Program Loan (PPP) of \$2.4 million. The proceeds of the funding were used to directly support the Corporation's US employee payroll expenditures. This funding further supported McCoy's product development team resources, and were critical to advancing McCoy's Digital Technology Roadmap Strategy, which includes the launch of the next two 'Smart' products in 2021 with the goal of having a fully automated TRS solution, SmartTR™, by the end of 2022.

Navigating the COVID-19 Pandemic

We pledged to ensure the health and safety of our employees, their families and our partners throughout this COVID-19 pandemic. We are happy to report that the early protocol actions and discipline by our team continue. To date, we have not experienced any material disruptions to our production facilities or supply chain as a result of the virus.

OUTLOOK AND FORWARD-LOOKING INFORMATION

The COVID-19 crisis continued to impact the oil and gas industry globally throughout the first half of 2021. Second and third waves of the pandemic and the consequential global lockdowns have led to a slow and choppy recovery, particularly in the Eastern Hemisphere where project approvals by national oil companies (NOC's) have been delayed. As we look ahead to the second half of 2021, we see continued signs of global economic recovery that are expected to drive improving levels of drilling activity. Although new variant strains of the COVID-19 virus may further pose a threat to a steady recovery, we expect customer spending and activity levels to gain momentum through the remainder of the year as the macro environment improves.

Looking further into 2022, the activity levels in the oil and gas industry are expected to improve as global economies stabilize and grow. With the most complete tubular running suite of products and strong balance sheet, McCoy is well positioned to respond to an improving market. Further, we expect commercial opportunities with our new Smart technology offering to accelerate in a more robust market.

McCoy reported order intake of \$7.4 million for the second quarter of 2021, a modest sequential increase of \$0.5 million compared to the first quarter. While bookings showed little improvement for the quarter, subsequent to June 30, 2021, order intake levels further improved with \$3.9 million of orders received to August 5, 2021. McCoy has been able to leverage its engineering capabilities, technology offerings and strong market position for revenue sustainability, particularly in these international and offshore regions.

In summary, we will continue to focus on our key strategic initiatives to navigate to success:

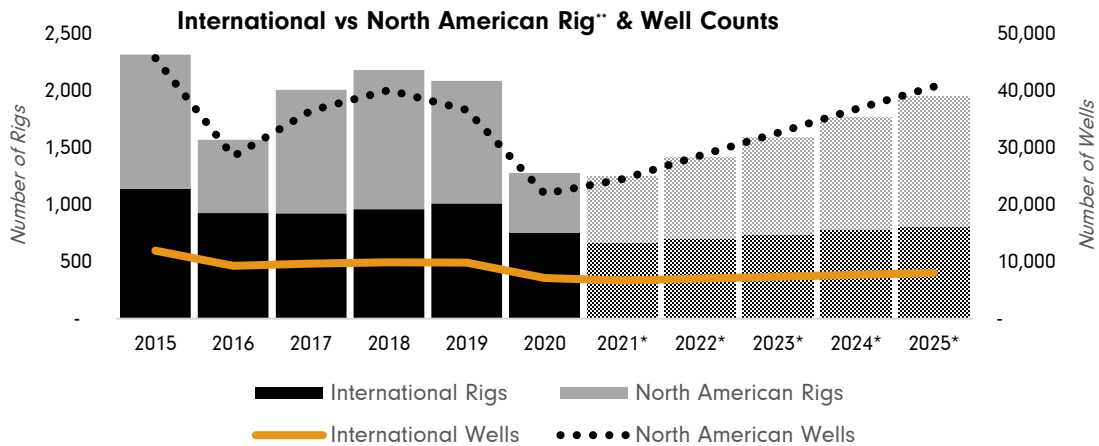
- Growing market adoption of new and recently developed 'Smart' portfolio products;
- Prudently investing in technology development initiatives and certain key rental opportunities;
- Generating cashflow from operations through fiscal discipline and continued working capital efficiency, despite uncertain market conditions ahead; and
- Ensuring the health and safety of our employees, their families and our partners throughout the COVID19 pandemic.

We believe this strategy, together with our committed and agile team, intimate customer knowledge and global footprint will further advance the McCoy's competitive position, regardless of the market environment.

MARKET CONDITIONS

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

A summary of historical and forecasted rig and well counts, which includes both land and offshore, obtained from Spears & Associates Drilling and Production Outlook, June 2021, is as follows:



*Forecasted

**Cumulative

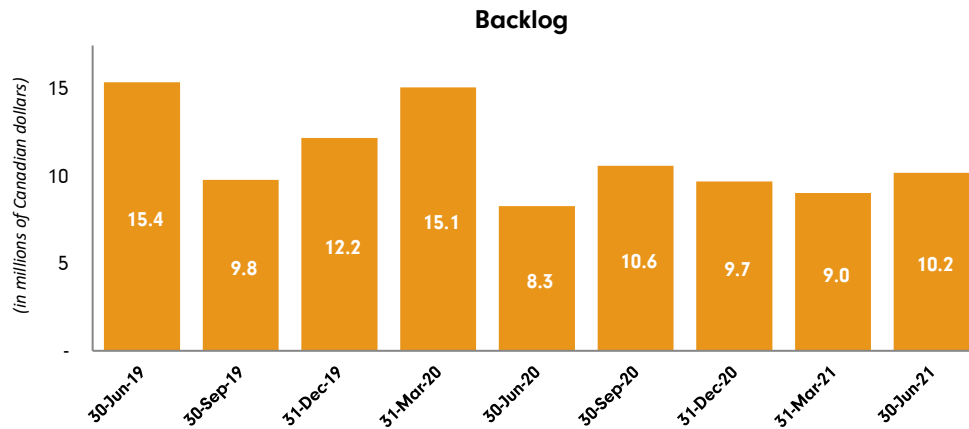
The demand for McCoy Global’s products and services is related to drilling activity levels and customers’ capital and operating budgets, which in turn are influenced by oil and natural gas prices and expectations as to future price trends. The availability of existing capital equipment adequate to serve drilling activity requirements, or lack thereof, further drives demand levels for McCoy’s capital equipment products. The COVID-19 pandemic has resulted in a historic drop in global demand for oil, driving the collapse of oil and gas prices and significant declines in drilling activity. In response, E&P capital spending was cut materially, particularly in the North American land market.

Backlog

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

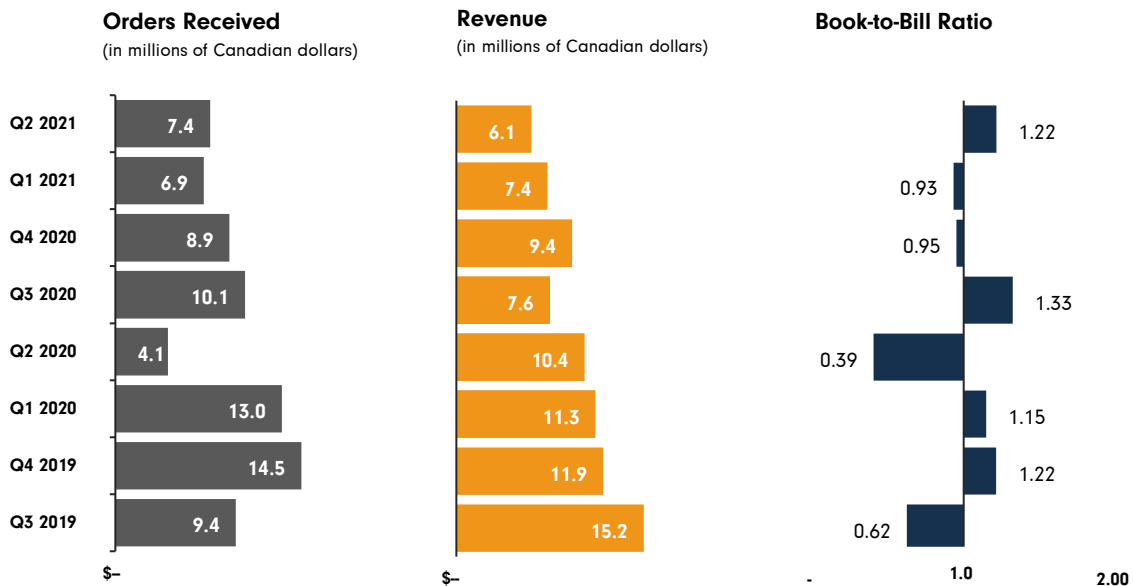
The Corporation defines backlog as orders that have a high certainty of being delivered and is measured on the basis of a firm customer commitment, such as the receipt of a purchase order. Customers may default on or cancel such commitments, however may be secured by a deposit and/or require reimbursement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

McCoy Global’s backlog as at June 30, 2021 totaled \$10.2 million (US\$8.3 million), an increase of \$1.2 million or 13% from backlog of \$9.0 million (US\$7.2 million) as at March 31, 2021. Compared to June 30, 2020 backlog increased \$1.9 million, or 23%, from \$8.3 million (US\$6.1 million). Backlog was impacted by \$2.0 million of held shipments as a result of delays in collection of customer advance payments and a modest uptick in aftermarket order intake experienced as the impacts of the COVID-19 pandemic lessened and economies began to reopen. Subsequent to June 30, 2021, order intake levels have further improved with \$3.9 million of orders received to August 5, 2021.



Book-to-Bill Ratio

The book-to-bill ratio is a measure of the amount of net sales orders received to revenues recognized. The ratio is an indicator of customer demand and sales order processing times. The book-to-bill ratio is not a GAAP measure and therefore the definition and calculation of the ratio will vary among other issuers reporting the book-to-bill ratio. McCoy Global calculates the book-to-bill ratio as net sales orders taken in the reporting period divided by the revenues reported for the same reporting period. Orders received are those orders in a period which have been included in backlog. Orders received are typically booked in \$USD. For each reporting period, orders received are converted to \$CAD at an average foreign exchange rate for the period. As a result, orders received can fluctuate from one reporting period to another because of foreign exchange volatility. Set out below are orders received, revenue and the book-to-bill ratio:



BUSINESS VISION

Our vision is to leverage our global reputation of unparalleled expertise and trusted partnerships to transform tubular running operations, delivering unmatched safety and efficiency while reducing environmental impact through Smart Solutions

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

The Corporation is engaged in the following:

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

Since mid-2008, the oil & gas extraction complex has experienced an increasingly volatile pricing environment and growing public and investor pressure to reduce its impact on the environment and improve safety. In turn, producers have been acutely focused on managing their costs and adapting their business strategy to demonstrate compliance with broader sustainability efforts.

McCoy has a reputation of innovation within tubular running services (TRS) operations globally. The Corporation has extensive experience launching new products into the markets it serves, offering the highest quality and safety standards available, and has done so for more than three decades.

McCoy believes the TRS space is primed for transformation employing automation and machine learning. Tools and processes used in TRS today are mechanical, highly repetitive, require significant labour inputs, have a high rate of personnel safety exposure, and maintain minimal well integrity data. Recognizing this opportunity, McCoy has conceptualized a 'Smart' TRS system that will operate autonomously using the Corporation's cloud-based data repository and machine learning to improve effectiveness. Our cloud-based platform and digital infrastructure that was developed in 2019, will enable future digital product offerings and enhancements. This cloud based, real time, remote data transmission infrastructure will support our ability to integrate, digitize, and automate the historically manual processes of tubular make up through our SmartTR™ automated casing running system. The product suite includes five 'Smart' products: Virtual Thread Rep™, SmartCRT™, SmartFMS™, McCoy's Smart Tong, and McCoy's Smart Tailing Stabbing Arm.

McCoy is engaged with three key customer groups:

Service Companies and Drilling Contractors - Producers are challenging contractors, across the board, to reduce costs. In most cases, their largest cost is people. With five years of decreasing oil and gas activity, personnel have left the industry to the point where there is now a critical shortage of skilled and experienced labour. This lack of labour and the reality that 65% of TRS cost is directly attributed to labour is a driving force behind the transition to an increasingly automated system.

Producers - McCoy's Virtual Thread Rep™ consolidates data on every connection made in a Producer's completion program. This repository of data supports verifiable and reliable well integrity that validates Environmental Social Governance (ESG) initiatives under the SASB standard. In addition to providing enhanced data, remote operation can reduce up to 85% of the labour costs associated with TRS for our Producer group.

Tubular Manufacturers - Threaded connection integrity is the standard that all manufacturers are measured by. Tubular connections at wellsite, which are currently made up by humans, will be controlled, and torqued to factory specifications by McCoy's 'Smart' tools, leveraging autonomous machine learning. OEM's and manufacturers will benefit from reduced operational risk with systems in place to ensure connections are made correctly and in accordance with specifications related to project parameters, reducing the environmental impact of faulty connections and leaking wells.

McCoy's digital strategy will meet this demand. Our cloud platform is the nucleus of the Corporation's digital strategy and serves as a repository for real-time, complete well integrity data. Taking advantage of its first mover status, McCoy expects to launch its next two 'Smart' products in 2021 with the goal of having a fully automated TRS by the end of 2022.

Set out below are McCoy Global's principal operations:

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

FINANCIAL RESULTS

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

For the three months ended June 30		
(\$000 except per share amounts)	2021	2020
Revenue	6,086	10,361
Net earnings (loss)	1,151	782
Per common share - basic	0.04	0.03
Per common share - diluted	0.04	0.03
Adjusted EBITDA	174	1,327
Per common share - basic	0.01	0.05
Per common share - diluted	0.01	0.05

As at and for the six months ended June 30		
(\$000 except per share amounts)	2021	2020
Revenue	13,460	21,684
Net earnings (loss)	993	695
Per common share - basic	0.04	0.03
Per common share - diluted	0.03	0.03
Adjusted EBITDA	848	3,249
Per common share - basic	0.03	0.12
Per common share - diluted	0.03	0.12
Total assets	53,505	63,028
Total liabilities	17,802	22,781
Total non-current liabilities	9,872	11,347

EBITDA and Adjusted EBITDA are calculated as follows:

(\$000)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Net earnings (loss)	1,151	782	993	695
Depreciation of property, plant and equipment	490	677	992	1,394
Amortization of intangible assets	194	212	394	427
Finance charges, net	242	215	447	448
EBITDA	2,077	1,886	2,826	2,964
Restructuring charges	-	136	-	136
Share-based compensation	334	56	519	62
Provisions (reversals) for excess and obsolete inventory	(112)	22	(196)	715
Other gains, net	(2,125)	(773)	(2,301)	(628)
Adjusted EBITDA	174	1,327	848	3,249

REVENUE

(\$000 except percentages)	For the 3 months ended June 30				For the 6 months ended June 30			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Revenue	6,086	10,361	(4,275)	(41%)	13,460	21,684	(8,224)	(38%)

Revenue for the three and six months ended June 30, 2021 continued to be impacted by the depressed order intake experienced as a result of the COVID-19 pandemic. Second and third rounds of lockdowns, particularly in the Eastern Hemisphere, have delayed NOC's project approvals, which has in turn deferred our customers' capital spend. Furthermore, revenue for the three months ended June 30, 2021 was also impacted by \$2.0 million of shipments held as a result of delays in collection of customer advance payment. Payments for these orders were received in early July 2021 with revenues recognized in Q3 2021.

Revenue for the three and six months ended June 30, 2020 was supported by Q4 2019 and early 2020 order intake and was not materially impacted by the COVID-19 pandemic.

Despite the decline in revenue and significant degradation of market conditions, McCoy grew revenues from its new product and technology offerings to \$1.1 million or 18% of revenue (Q2 2020 - \$1.7 million or 16% of revenue).

GROSS PROFIT

(\$000 except percentages)	For the 3 months ended June 30				For the 6 months ended June 30			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Gross profit	1,566	2,631	(1,065)	(40%)	3,778	5,928	(2,150)	(36%)
<i>Gross profit %</i>	26%	25%	1%		28%	27%	1%	

Gross profit as a percentage of revenue for the three and six months ended June 30, 2021 was 26% and 28% respectively, an increase of one percentage point from the comparable periods in 2020. The increase was largely a result of favourable product mix, with a modest uptick in aftermarket revenues as the impacts of the COVID-19 pandemic lessened, economies began to reopen and drilling activity improved particularly in the North America Land market. Continued focus on productivity improvement and supply chain efficiencies also contributed to the improvement in gross profit percentage.

Gross profit for the three months ended June 30, 2021 includes a \$0.1 million recovery related to provisions for excess and obsolete inventory (2020 - nominal expense). Gross profit for the six months ended June 30, 2021 includes a \$0.2 million recovery for excess and obsolete inventory (2020 - expense of \$0.7 million).

GENERAL AND ADMINISTRATION EXPENSE (G&A)

(\$000 except percentages)	For the 3 months ended June 30				For the 6 months ended June 30			
	2021	2020	Change	% Change	2021	2020	Change	% Change
G&A	1,520	1,456	64	4%	3,087	3,172	(84)	(3%)
<i>G&A as a % of revenue</i>	25%	14%	11%		23%	15%	8%	

For the three months ended June 30, 2021, G&A increased by 4% from the comparative period, due to a \$0.3 million increase in cash-settled share-based compensation expense resulting from an increase in the Corporation's share price, which was offset by the benefit of cost reduction initiatives. For the six months ended June 30, 2021, G&A decreased by 3% from the comparative period due to cost reduction initiatives enacted in April 2020, as well as continued focus on reduction of overhead spend. This was offset by an increase in share-based compensation expense.

SALES AND MARKETING EXPENSE (SALES & MARKETING)

(\$000 except percentages)	For the 3 months ended June 30				For the 6 months ended June 30			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Sales and Marketing	364	346	18	5%	710	783	(73)	(9%)
<i>Sales and Marketing as a % of revenue</i>	6%	3%	3%		5%	4%	1%	

For the three months ended June 30, 2021, Sales & Marketing increased from the comparative periods as a result of targeted marketing initiatives related to soon-to-be commercial products under the Corporation's 'Digital Technology Roadmap' initiative. For the six months ended June 30, 2021, Sales & Marketing decreased from the comparative period due to cost reduction initiatives enacted in April 2020 which was partially offset by increased marketing efforts.

RESEARCH AND DEVELOPMENT (R&D)

(\$000 except percentages)	For the three months ended June 30				For the six months ended June 30			
	2021	2020	Change	% Change	2021	2020	Change	% Change
R&D expense	414	469	(55)	(12%)	842	1,322	(480)	(36%)
Capitalized development expenditures	493	345	148	43%	844	505	339	67%
R&D expenditures	907	814	93	11%	1,686	1,827	(141)	(8%)
<i>R&D expenditures as a % of revenue</i>	15%	8%	7%		13%	8%	5%	

During the three and six months ended June 30, 2021, McCoy further advanced its 'Digital Technology Roadmap' initiative through the continued development of 'Smart' product offerings that will be digitally integrated into its automated tubular running system SmartTR™. For the six months ended June 30, 2021, capitalized development expenditures include internal product design and development hours, in addition to \$0.3 million (three months ended June 30, 2021 - \$0.2 million) of prototype materials and field trial expenses for McCoy's SmartCRT™. For 2021, the Corporation has committed up to US\$2.1 million of growth capital to accelerate its 'Digital Technology Roadmap' initiative by integrating these product offerings into SmartTR™, McCoy's fully automated casing running system.

During the three and six months ended June 30, 2020, capitalized development expenditures pertained to detail design work completed for McCoy's new Smart product offerings, including the SmartCRT™ and Virtual Thread Rep™.

OTHER ITEMS

(\$000 except percentages)	For the 3 months ended June 30				For the 6 months ended June 30			
	2021	2020	Change	% Change	2021	2020	Change	% Change
Finance charges, net	242	215	27	13%	447	448	(1)	-%
Other (gains) losses, net	(2,125)	(773)	(1,352)	175%	(2,301)	(628)	(1,673)	266%
Restructuring charges	-	136	(136)	(100%)	-	136	(136)	(100%)

Finance charges, net, includes borrowing costs, finance charges imputed on leases in accordance with IFRS 16, offset by interest income on cash and cash equivalents.

For the three and six months ended June 30, 2021, other (gains), net is comprised primarily of US \$2.0 million loan forgiveness of the US Paycheck Protection Program, government assistance payments related to the Canadian Emergency Wage and Rent Subsidies, as well as gains on the disposal of property, plant and equipment, offset by a one-time retroactive payment to employees and foreign exchange losses. In the comparative period, other losses, net was comprised primarily of foreign exchange fluctuations and gains or losses on the disposal of property, plant and equipment. For the three and six months ended June 30, 2020, other gains include \$0.2 million of government assistance payments in connection with the Canadian Emergency Wage Subsidy.

Restructuring charges recognized during the three months ended June 30, 2020 relate to restructuring initiatives announced in April of 2020.

SUMMARY OF QUARTERLY RESULTS

(\$000 except per share amounts)	2021		2020				2019	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Revenue	6,086	7,374	9,369	7,621	10,361	11,323	11,875	15,222
Net earnings (loss)	1,151	(158)	(2,150)	(720)	782	(87)	61	1,238
Basic and diluted earnings (loss) per share	0.04	(0.01)	(0.08)	(0.03)	0.03	-	-	0.04
EBITDA	2,077	749	(1,116)	312	1,886	1,078	1,176	2,144
Adjusted EBITDA	174	673	153	365	1,327	1,919	1,487	2,213

LIQUIDITY AND CAPITAL RESOURCES

As at (\$000)	June 30, 2021	December 31, 2020
Cash and cash equivalents	10,910	12,136
Restricted cash, as per credit facility	1,275	500
Borrowings	(5,309)	(4,532)
Borrowings under US Paycheck Protection Program	(2,433)	(2,772)
Net cash	4,443	5,332
Undrawn availability under revolving demand facility	3,099	3,183
Undrawn availability under term facility	-	1,273

All or a portion of borrowings received under the US Paycheck Protection Program may be forgiven in accordance with certain US Treasury guidelines.

McCoy remains committed to managing the business for success in the current market environment through diligently maintaining cost reduction actions enacted in 2020. Though market uncertainty continues to be a challenge in developing forecasts for the Corporation, generating operating cashflows and increasing working capital efficiency regardless of market conditions is a key priority for the Corporation.

Anticipated capital spending for the remainder of 2021 includes:

- up to US\$1.3 million of investment in Corporation's Digital Technology Roadmap, primarily related to prototyping, field trials, and certification costs;
- strategic investment in rental equipment where meaningful returns are expected; and
- nominal investments in production facility equipment.

(\$000)	For the 3 months ended June 30		For the 6 months ended June 30	
	2021	2020	2021	2020
Cash (used in) generated from operating activities	(1,808)	357	(2,251)	1,585
Cash used in investing activities	(453)	(427)	(731)	(1,340)
Cash (used in) generated from financing activities	(1,161)	1,788	2,170	830
Debt to equity ratio	0.50 to 1	0.57 to 1	0.50 to 1	0.57 to 1

Cash used in operating activities for the three and six months ended June 30, 2021, relates to increases in working capital balances due to timing of customer shipments, offset by cashflow generated from adjusted EBITDA. In the comparative period, cash generated from operating activities was driven by Adjusted EBITDA, offset by the settlement of certain facility remediation provisions and finance costs paid.

For the three and six months ended June 30, 2021 and 2020, the Corporate invested in McCoy's 'Digital Technology Roadmap' and strategic additions to the Corporation's rental fleet, primarily from equipment transferred from inventory.

Cash used in financing activities for the three months ended June 30, 2021 relates to \$0.8 million transferred to restricted cash held as security for the Corporation's US\$2.5 million revolving demand facility, repayment of borrowings and principal elements of lease payments. Cash generated from financing activities for the six months ended June 30, 2021, also includes proceeds received under the Corporation's second application for a US Paycheck Protection Program Loan (PPP) and proceeds received from a final draw under its secured term facility. Cash generated from financing activities for the three and six months ended June 30, 2020 relates to proceeds received under the Corporation's first application under the US Paycheck Protection Loan Program (PPP), offset by scheduled debt repayments under existing credit facilities and principle elements of lease payments.

OUTSTANDING SHARE DATA

As at August 5, 2021 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	28,204,989
Convertible equity securities:	
Stock options	1,745,000
Restricted share plan units	607,500

The stock options and restricted share plan units are exercisable into an equal number of common shares. Stock options may be exercised after they have vested. Restricted share plan units are converted to common shares at pre-determined vesting dates.

Options with the following exercise price ranges were outstanding as at August 5, 2021:

Exercise price range	Options outstanding	Weighted average remaining contractual life
	#	years
<\$1	810,000	8.49
\$1 to \$2	530,000	5.39
\$2 to \$3	205,000	5.42
\$3 to \$4	200,000	3.62
	1,745,000	6.63

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has evaluated whether there were changes in our Internal Controls over Financial Reporting (“ICFR”) during the six-month period ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our ICFR. No such changes have been identified.

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

OTHER INFORMATION

Additional information relating to the Corporation, including the Corporation’s Annual Information Form for the year ending December 31, 2020 is available on SEDAR at www.sedar.com.

OTHER INTERIM MD&A REQUIREMENTS

There have been no significant changes in the following items from those described in our 2020 MD&A and Consolidated Annual Financial Statements. Please refer to the page numbers listed below from McCoy Global’s 2020 MD&A and Consolidated Annual Financial Statements:

- Financial risk management and financial instruments – pages 38-40 Consolidated Annual Financial Statements;
- Capital management – page 41 Consolidated Annual Financial Statements;
- Contractual obligations – page 20 MD&A;
- Related party transactions – page 41 Consolidated Annual Financial Statements;
- Critical accounting estimates and judgements – pages 22-23 Consolidated Annual Financial Statements; and
- Risks and uncertainties – pages 25 MD&A.