MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2021

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EXPLANATORY NOTES

The following Management's Discussion and Analysis of Financial Results ("MD&A"), dated March 3, 2022, 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, 2021 and 2020. 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:

- 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 disruption and increasing material costs;
- reliance on key persons and 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 and other climate change related measures;
- change in government administrations;
- 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 earnings (loss), 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 (gains) losses, 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, internal field trials and we have now commenced customer 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.

- Conducted external field trials for our Virtual Thread-Rep™ technology (VTR) with over 7,800 connections completed, the equivalent of 20 wells. Virtual Thread-Rep™ allows customers to remotely monitor and control premium connection make-up. Field trials conducted jointly with a US Tier-1 driller and an industry leading Thread OEM using a CRT application yielded strong results and allowed for increased efficiency by reducing onsite personnel by 25%. Our development team is now focused on further software enhancements for conventional casing running applications using hydraulic power tongs. These enhancements will enable the torque turn software to autonomously evaluate and confirm premium connection make-up.

- Successfully completed field trials for McCoy's smartFMS™, rotary equipment developed to handle casing that is fully connected, providing information on the state of the tool to the driller's display in real-time with the ability to integrate with the smartCRT™. Though we previously expected this product's commercial value would be best achieved as part of the smartTR™ system, the tightening labour market in North America has boosted customer demand for this product on a stand-alone basis and we expect sales of several of these tools in 2022.

- The focus on commercial success of our innovations remains key to McCoy's future. For the year ended December 31, 2021, new product and technology offerings[1] contributed $5.5 million, or 17% of total revenue (year ended December 31, 2020 – $6.8 million or 18%), supported by a large customer order for our fully integrated smartTong system, destined for offshore Brazil. 2022 will be a pivotal year for McCoy as we gain traction on our 'Smart' product offerings, grow market adoption, and continue to build momentum on new product revenues.

- Looking ahead, we plan to deploy US$1.1 million of investment on the Corporation's Digital Technology Roadmap to complete the development of the remaining components of McCoy's smartTR™. Our digital, cloud-based platform, Nimbus™ 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.

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

Earnings Performance and Strengthened Balance Sheet

McCoy's strong fourth quarter performance demonstrates the solid financial operating leverage we expect to deliver as the industry continues to recover. Continued growth in global drilling activity levels led to strengthened revenues in the second half of 2021, particularly in our parts and accessories and service lines, which has historically been a strong leading indicator for future growth of capital equipment demand. This coupled with McCoy's continued fiscal discipline resulted in Adjusted EBITDA of $1.2 million or 13% of revenue for the fourth quarter (Q4 2020 – Adjusted EBITDA of $0.2 million, or 2% of revenue).

Despite the many supply chain and logistic challenges faced globally, continued focus on productivity improvement and successful supply chain management allowed for strong gross profit results. For the fourth quarter, gross profit percentage improved to 26% of revenue in comparison to 10% in the fourth quarter of 2020. A shift towards more favourable product mix resulting from the increase in aftermarket revenue and inventory provisions recorded in Q4 2020 also contributed to the increase in gross profit percentage.

McCoy achieved net earnings of $2.5 million for the fourth quarter of 2021 (Q4 2020 – net loss of $2.2 million), of which $2.4 million was attributable to amounts forgiven under the US Paycheck Protection Program.

During the fourth quarter, McCoy fully repaid one of its senior secured credit facilities and reported a net cash balance of $7.8 million as at December 31, 2021 (December 31, 2020 - $5.3 million). With an additional US$ 2.4 million available under an undrawn operating facility, McCoy's balance sheet is well positioned to support revenue growth.

OUTLOOK AND FORWARD-LOOKING INFORMATION

McCoy reported order intake of $9.1 million for the fourth quarter of 2021 (Q3 2021 - $11.4 million). Customer inquiries, quoting activity and order intake continued to improve, particularly in the Eastern Hemisphere, with order intake of $10.2 million reported for the first two months of 2022 and momentum continuing to build.

Improved global energy demand and the need for global oil and gas investment has resulted in sustained periods of robust commodity prices, providing a promising backdrop for the oilfield services and equipment industry. At current commodity prices, we anticipate continued growth in customer demand.

With order backlog rebounding to levels only seen in pre-pandemic periods and a strong balance sheet McCoy is well positioned for strong earnings growth for 2022. Increased drilling activity levels paired with new market entrants in international markets will serve to further enhance commercial opportunities for our smartCRT™. We also expect that the tightening labour market faced by our customers will serve to accelerate adoption of many of our new smart technology offerings, particularly in the US land region.

As we enter 2022, we continue to focus on our key strategic initiatives to deliver value to all of our stakeholders:

- Growing market adoption of new and recently developed 'Smart' portfolio products;
- Prudently investing in technology development initiatives;
- Taking advantage of the current market trajectory by focussing on revenue generation while continuing to successfully mitigate supply chain and logistic challenges;
- Continuing to build our equipment rental fleet to offer flexible solutions to customers where meaningful returns are expected; and
- Generating cashflow from operations through fiscal discipline and continued working capital efficiency.

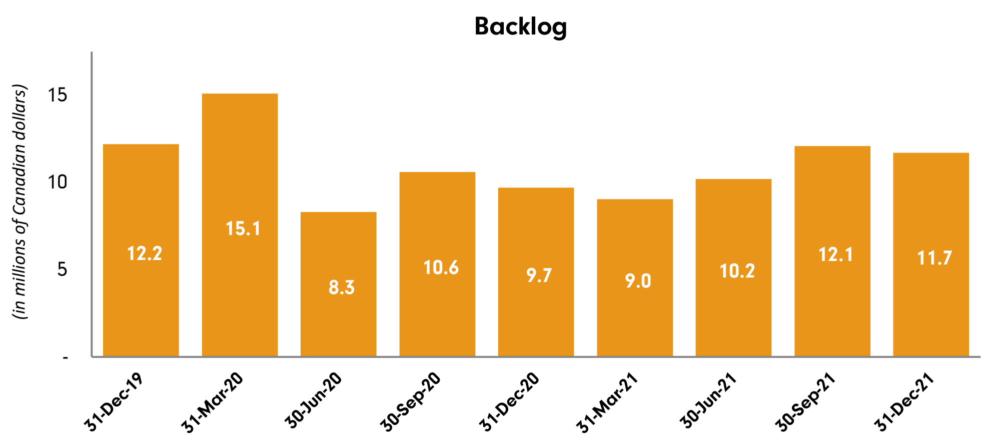
We believe this strategy, together with our committed and agile team, our global brand recognition, intimate customer knowledge and global footprint will further advance McCoy's competitive position, regardless of the market environment.

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.

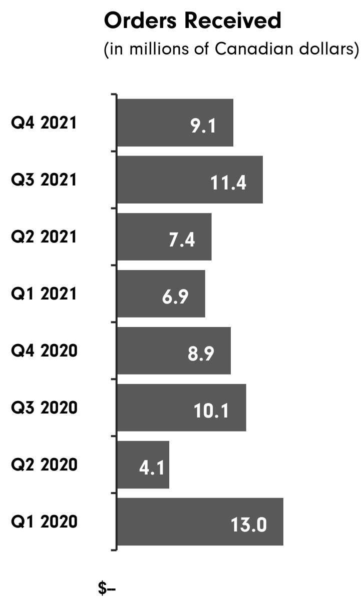
The Corporation defines backlog as orders that have a high certainty of being delivered and is measured on the basis of a firm customer commitment, such as the receipt of a purchase order. Customers may default on, or cancel such commitments, however may be secured by a deposit and/or require reimbursement 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.

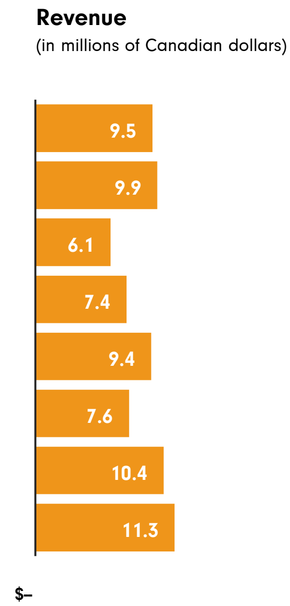
McCoy Global's backlog as at December 31, 2021 totaled $11.7 million (US$9.2 million), a decrease of $0.4 million or 3% from backlog of $12.1 million (US$9.5 million) as at September 30, 2021. Compared to December 31, 2020 backlog increased $2.0 million, or 21%, from $9.7 million (US$7.6 million).

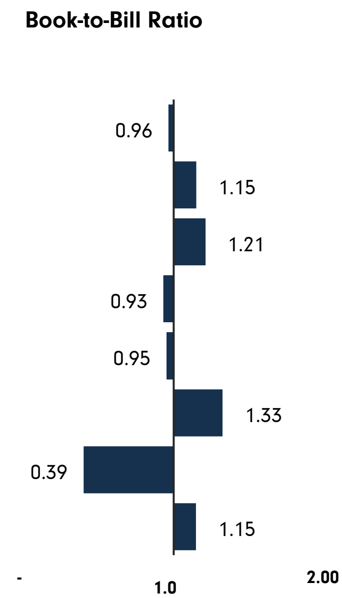


Book-to-Bill Ratio

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:



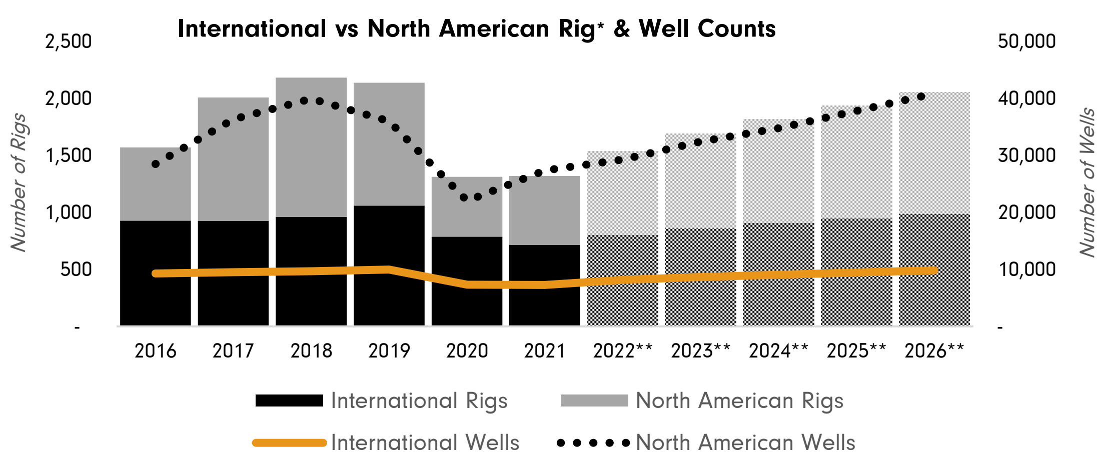




MARKET CONDITIONS

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, December 2021, is as follows:



*Cumulative
**Forecasted

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.

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Governments worldwide, including those countries in which the Corporation operates, enacted emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, caused a material disruption to businesses globally resulting in an economic slowdown and decreased demand for oil. Demand for the Corporation's products and services declined as customers continued to revise their capital budgets downwards and swiftly adjusted their operations in response to lower commodity prices.

During 2021, as COVID-19 restrictions lessened in severity in certain geographies and the global economy began to re-open, oil demand began to rebound. Driven by improved demand and reduced global supply, oil and gas prices have recovered to pre-pandemic levels. Despite this rebound, subsequent COVID-19 variants have continued to cause significant volatility and uncertainty in the oil and gas industry impacting the Corporation's revenues. Though the Corporation has begun to see improved demand for aftermarket replacement parts and service revenues, customers' capital spending over the course of 2021 has remained below pre-pandemic levels.

As the world emerges from the pandemic and greater economic activity resumes, the supply of oil and gas has tightened. Global drilling activity will need to increase to meet growing demand while energy transition efforts accelerate.

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.

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 smartTong, and McCoy's smart tailing stabbing arm (smartTSA™).

McCoy is engaged with three key customer groups:

Service Companies and Drilling Contractors - Producers are challenging contractors, across the board, to reduce costs. In many 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. Personnel safety, the shortage of experienced people, and the reality that 65% of TRS cost is directly attributable 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. 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 people, 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.

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 FOURTH QUARTER RESULTS

For the three months ended December 31 ($000 except per share amounts)	2021	2020
Revenue	**9,451**	9,369
Net earnings (loss)	**2,464**	(2,150)
Per common share – basic	**0.09**	(0.08)
Per common share – diluted	**0.08**	(0.08)
Adjusted EBITDA	**1,213**	153
Per common share – basic	**0.04**	0.01
Per common share – diluted	**0.04**	0.01

EBITDA and adjusted EBITDA are calculated as follows:

For the three months ended December 31 ($000)	2021	2020
Net earnings (loss)	**2,464**	(2,150)
Depreciation of property, plant and equipment	**659**	501
Amortization of intangible assets	**199**	205
Income tax expense	**-**	9
Finance charges, net	**182**	319
EBITDA	**3,504**	(1,116)
Provisions for excess and obsolete inventory	**46**	751
Other (gains) losses, net	**(2,450)**	294
Share-based compensation	**113**	182
Restructuring charges	**-**	42
Adjusted EBITDA	**1,213**	153

REVENUE

($000 except percentages)	For the three months ended December 31 2021	2020	Change	% Change
Revenue	**9,451**	9,369	82	1%

Revenue for the three months ended December 31, 2021 continued to benefit from strengthening industry fundamentals, partially offset by delays in collection of customer shipments in late December.

For the three months ended December 31, 2020, despite the challenged market conditions that lead to an overall decline in order intake as a result of the COVID-19 pandemic, revenue for the fourth quarter of 2020 was supported by shipment of a large capital equipment order from aged inventory.

GROSS PROFIT

($000 except percentages)	For the three months ended December 31 2021	2020	Change	% Change
Gross profit	**2,442**	968	1,474	152%
Gross profit as a % of revenue	***26%***	*10%*	*16%*	

Gross profit for the three months ended December 31, 2021 improved compared to the comparative period largely due to a shift towards more favourable product mix, resulting from an increase in aftermarket revenue. Despite the many supply chain and logistics challenges faced globally, continued focus on productivity improvement and successful supply chain management allowed for strong gross profit results. In addition, a nominal recovery of excess and obsolete inventory provisions (2020 - $0.8 million expense) further improved gross profit from the comparative period. This was partially offset by additional depreciation expense recognized on recent rental fleet equipment additions for which long-term rental contracts have been secured.

In the comparative period, gross profit was impacted by unfavourable product mix, particularly due to the shipment of a large capital equipment order from aged inventory that carried a higher than usual discount.

GENERAL AND ADMINISTRATION EXPENSE (G&A)

($000 except percentages)	For the three months ended December 31 2021	2020	Change	% Change
G&A	**1,181**	1,627	(446)	(27%)
G&A as a % of revenue	***12%***	*17%*	*(5%)*	

For the three months ended December 31, 2021, G&A decreased from the comparative period largely due to $0.2 million recoveries of impaired trade accounts (2020 – provision of $0.2 million) as well as continued focus on cost containment.

Sales and marketing expense (Sales & Marketing)

($000 except percentages)	For the three months ended December 31			
	2021	2020	Change	% Change
Sales & marketing	**401**	307	94	31%
Sales & marketing as a % of revenue	***4%***	*3%*	*1%*	

Sales & Marketing increased modestly 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', as well as attendance at an international tradeshow and increased travel activity to support rebounding order activity with improvements in market conditions.

Research and development (R&D)

($000 except percentages)	For the three months ended December 31			
	2021	2020	Change	% Change
R&D expense	**664**	520	144	28%
Capitalized development expenditures	**686**	1,403	(717)	(51%)
R&D expenditures	**1,350**	1,923	(573)	(30%)
R&D expenditures as a % of revenue	**14%**	21%	(7%)	

During the three months ended December 31, 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 three months ended December 31, 2021, capitalized development expenditures include internal product design and development hours, in addition to $0.1 million of field trial expenditures for smartCRT™ and Virtual Thread Rep™, as well as $0.1 million external product design costs for the next phase of our Virtual Thread-Rep™ technology.

During the three months ended December 31, 2020, McCoy further advanced its 'Digital Technology Roadmap' initiative through the development of three 'Smart' product offerings that will be digitally integrated into an automated tubular running system. Capitalized development expenditures include $0.9 million of external costs for product prototypes for McCoy's smartCRT™ and smartFMS™.

OTHER ITEMS

($000 except percentages)	For the three months ended December 31			
	2021	2020	Change	% Change
Finance charges, net	**182**	319	(137)	(43%)
Other (gains) losses, net	**(2,450)**	294	(2,744)	(933%)
Restructuring charges	**-**	42	(42)	(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. In the comparative period, finance charges, net includes a charge of $0.1 million related to finance costs that were previously deferred associated with its US$2.4 million promissory note that was repaid during the quarter.

For the three months ended December 31, 2021, other gains, net is comprised primarily of $2.4 million (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 costs associated with strategic alternatives assessment and foreign exchange losses.

Restructuring charges recognized in the comparative period relate to restructuring initiatives announced in 2020.

SUMMARY OF QUARTERLY RESULTS

($000 except per share amounts)	2021				2020			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	9,451	9,885	6,086	7,374	9,369	7,621	10,361	11,323
Net earnings (loss)	2,464	621	1,151	(158)	(2,150)	(720)	782	(87)
Basic earnings (loss) per share	0.09	0.02	0.04	(0.01)	(0.08)	(0.03)	0.03	-
Diluted earnings (loss) per share	0.08	0.02	0.04	(0.01)	(0.08)	(0.03)	0.03	-
EBITDA	3,504	1,551	2,077	749	(1,116)	312	1,886	1,078
Adjusted EBITDA	1,213	1,377	174	673	153	365	1,327	1,919

SUMMARY OF CONSOLIDATED ANNUAL RESULTS

For the year ended December 31 ($000 except per share amounts)	2021	2020	2019
Revenue	**32,796**	38,674	53,392
Net earnings (loss)	**4,078**	(2,175)	233
Per common share – basic	**0.15**	(0.08)	0.01
Per common share – diluted	**0.14**	(0.08)	0.01
Adjusted EBITDA	**3,437**	3,766	4,352
Per common share – basic	**0.12**	0.14	0.16
Per common share – diluted	**0.12**	0.14	0.16
Total assets	**55,138**	52,658	59,630
Total liabilities	**15,128**	17,154	21,780
Total non-current liabilities	**6,741**	9,725	7,879

EBITDA and adjusted EBITDA are calculated as follows:

For the year ended December 31 ($000)	2021	2020	2019
Net earnings (loss)	**4,078**	(2,175)	233
Depreciation of property, plant and equipment	**2,167**	2,473	2,729
Amortization of intangible assets	**792**	843	155
Income tax expense	**-**	9	-
Finance charges, net	**843**	1,010	664
EBITDA	**7,880**	2,160	3,781
Provisions for (recovery of) excess and obsolete inventory	**(230)**	1,786	(506)
Other (gains) losses, net	**(4,805)**	(631)	888
Restructuring charges	**-**	178	-
Share-based compensation	**592**	273	189
Adjusted EBITDA	**3,437**	3,766	4,352

Revenue

($000 except percentages)	2021	2020	Change	% Change
	For the year ended December 31			
Revenue	**32,796**	38,674	(5,878)	(15%)

Revenues for the second half of 2021 improved from strengthening industry fundamentals while the first half was negatively impacted by the degradation of market conditions as a result of the COVID-19 pandemic, particularly in the US land market.

In the comparative period, revenues for the first half of 2020 were supported by strong order intake in late 2019 and early 2020.

Gross profit

($000 except percentages)	2021	2020	Change	% Change
	For the year ended December 31			
Gross profit	**9,144**	7,951	1,193	15%
Gross profit as a % of revenue	***28%***	*21%*	*7%*	

Gross profit improved from the comparative period largely as a result of more favourable product mix. Despite the many supply chain and logistics challenges faced globally, continued focus on productivity improvement and successful supply chain management allowed for strong gross profit results.

Gross profit for the year ended December 31, 2021 includes a $0.2 million recovery of excess and obsolete inventory (2020 – provision of $1.8 million).

General and administration expense (G&A)

($000 except percentages)	For the year ended December 31 2021	2020	Change	% Change
G&A	**5,596**	5,921	(325)	(5%)
G&A as a % of revenue	***17%***	*15%*	*2%*	

For the year ended December 31, 2021, G&A spend benefitted from the full year impact of cost reduction initiatives enacted in April of 2020. Management has continued to focus on driving incremental efficiencies into this area of the business and expects to further improve operational leverage for strong earnings growth as revenues further rebound.

For the year ended December 31, 2021, G&A was reduced by a $0.2 million reversal for previously impaired trade accounts (2020 – $0.3 million).

Sales and marketing expense (Sales & Marketing)

($000 except percentages)	For the year ended December 31 2021	2020	Change	% Change
Sales & marketing	**1,438**	1,415	23	2%
Sales & marketing as a % of revenue	***4%***	*4%*	*1%*	

For the year ended December 31, 2021, Sales & Marketing increased modestly from the comparative period as a result of increased sales and marketing activity to support a rebound in quoting and order intake with improving market conditions. Sales & marketing spend was also impacted by targeted marketing initiatives related to soon-to-be commercial products under the Corporation's 'Digital Technology Roadmap'.

Research and development (R&D)

($000 except percentages)	For the year ended December 31 2021	2020	Change	% Change
R&D expense	**1,994**	2,224	(230)	(10%)
Capitalized development expenditures	**2,051**	2,257	(206)	(9%)
R&D expenditures	**4,045**	4,481	(436)	(10%)
R&D expenditures as a % of revenue	**12%**	12%	1%	

During the year ended December 31, 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 year ended December 31, 2021, capitalized development expenditures include internal product design and development hours, in addition to $1.4 million of prototype materials, field trial expenditures, and external product design costs for McCoy's smartCRT™, Virtual Thread-Rep™, and smartFMS™, These investments of growth capital accelerate McCoy's 'Digital Technology Roadmap' initiative by ultimately integrating these product offerings into smartTR™, McCoy's fully automated casing running system.

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

OTHER ITEMS

($000 except percentages)	For the year ended December 31			
	2021	2020	Change	% Change
Other (gains) losses, net	**(4,805)**	(631)	(4,174)	661%
Finance charges, net	**843**	1,010	(167)	(17%)
Restructuring charges	**-**	178	(178)	(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 year ended December 31, 2020, finance charges also include a charge of $0.1 million related to finance costs that were previously deferred associated with its US$2.4 million promissory note that was repaid during the year.

Other gains, net is comprised primarily of $4.8 million (US $3.9 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, foreign exchange losses, and costs associated with strategic alternatives assessment.

Restructuring charges recognized during the year ended December 31, 2020 relate to restructuring initiatives announced in 2020 in response to the COVID-19 pandemic.

LIQUIDITY AND CAPITAL RESOURCES

Selected cash flow and capitalization information is as follows:

For the three months ended December 31 ($000)	2021	2020
Cash generated from operating activities	**1,587**	6,555
Cash used in investing activities	**(2,126)**	(1,858)
Cash used in financing activities	**(1,040)**	(950)

For the three months ended December 31, 2021, cash generated from operating activities was a result of strong adjusted EBITDA performance and working capital efficiency, offset by finance costs paid. For the three months ended December 31, 2020, cash generated from operating activities was a result of focused efforts on working capital efficiency and adjusted EBITDA performance, offset by finance costs paid.

During both the current and comparative periods, cash used in investing activities related to product development under McCoy's 'Digital Technology Roadmap' and strategic equipment additions to the Corporation's rental fleet, offset by proceeds from sale of certain equipment.

Cash used in financing activities for both the three months ended December 31, 2021 and December 31, 2020 relates to repayments of existing credit facilities and principal elements of lease payments. In the comparative period, cash used in financing activities was also offset by amounts drawn under the Corporation's term facility.

For the year ended December 31 ($000)	**2021**	2020
Cash generated from operating activities	**1,459**	8,814
Cash used in investing activities	**(3,715)**	(3,630)
Cash generated from (used in) financing activities	**1,398**	(1,136)

Cash generated from operating activities for the year ended December 31, 2021 was a result of strong EBITDA performance, offset by working capital investment, primarily in trade receivables due to the timing of customer shipments, and finance costs paid. In the comparative period, cash generated from operating activities was a result of focused efforts on working capital efficiency and strong EBITDA performance, offset by finance costs paid.

During both the current and comparative periods, cash used in investing activities related to product development under McCoy's 'Digital Technology Roadmap' and strategic equipment additions to the Corporation's rental fleet, offset by proceeds from sale of certain equipment.

Cash generated from financing activities relates to $2.5 million of funding received under the Corporation's second application for a US PPP loan, $1.3 million of proceeds received from a final draw under its secured term facility, offset by debt repayments and principal elements of lease payments. Cash used in financing activities for the year ended December 31, 2020, relates to debt repayments and principal elements of lease payments, offset by proceeds received under the Corporation's application for a US Paycheck Protection Program Loan (PPP) and term facility.

As at December 31 ($000)	**2021**	2020
Cash and cash equivalents	**11,139**	12,136
Restricted cash, as per credit facilities	**885**	500
Borrowings	**(4,194)**	(7,304)
Net cash	**7,830**	5,332
Undrawn availability under revolving demand facility	**3,084**	3,183
Undrawn availability under term facility	**-**	1,273

During the year ended December 31, 2021, the Corporation received full forgiveness of the first and second-round funding of the US Paycheck Protection Program Loan (PPP) of $4.8 million (US$3.9 million). The proceeds of the funding were used to directly support the Corporation's US employee payroll expenditures.

McCoy remains committed to managing the business for success by generating operating cashflows and increasing working capital efficiency regardless of market conditions is a key priority for the Corporation. We expect our operational leverage to continue to provide a foundation for strong earnings growth as revenues further rebound.

Anticipated capital spending for the remainder of 2022 includes:

- US$1.1 million of investment in the Corporation's Digital Technology Roadmap, US$0.4 million of which is budgeted for prototype development of additional size ranges for McCoy's smartCRT™;
- strategic investment in rental equipment where meaningful returns are expected; and
- nominal investments in production facility equipment.

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 22 of the Consolidated Annual Financial Statements for the year ended December 31, 2021.

Other financial information

Contractual obligations

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

(000's)	Due in less than one year	Due between one and two years	Due between two and three years	Due beyond three years	Total
	$	$	$	$	**$**
Trade and other payables	4,897	-	-	-	**4,897**
Borrowings	853	2,354	1,727	-	**4,934**
Lease liabilities	867	962	861	1,838	**4,528**
Onerous contract provisions	59	-	-	-	**59**
Undiscounted cash flows for financial liabilities	**6,625**	**3,316**	**2,588**	**1,838**	**14,367**
Purchase commitments for inventory and operating services	4,465	473	-	-	**4,938**
As at December 31, 2021	**11,090**	**3,789**	**2,588**	**1,838**	**19,305**

OUTSTANDING SHARE DATA

As at March 3, 2022 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	28,232,289
Convertible equity securities:	
Stock options	1,635,000
Restricted shares	535,000

The stock options and restricted shares are exercisable into an equal number of common shares. Stock options may be exercised after they have vested. Restricted shares are converted to common shares at pre-determined vesting dates. Options with the following exercise price ranges were outstanding as at March 4, 2022:

Exercise price range	Options outstanding	Weighted average remaining contractual life
	#	years
<$1	705,000	7.56
$1 to $2	530,000	4.74
$2 to $3	200,000	4.36
$3 to $4	200,000	3.04
	1,635,000	5.70

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 net earnings (loss) 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 under the expected credit loss model and further 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 are 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 non-financial assets*

Long-lived assets include property, plant and equipment, intangible assets and goodwill. The carrying value of these assets is periodically reviewed for impairment (goodwill at least annually) or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Judgment is required in the aggregation of assets into Cash Generating Units ("CGUs").

The recoverable amounts of CGUs are determined based on the greater of fair value less cost to sell and 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 revenues, 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 uncertainty and judgment.

(vi) *Leases*

Extension options are included in a number of property leases within the Corporation. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The Corporation makes estimates in determining the incremental borrowing rate used to measure the lease liability for each lease contract. The incremental borrowing rate should reflect the interest that the Corporation would have to pay to borrow at a similar term with similar security.

FUTURE ACCOUNTING PRONOUNCEMENTS

From time to time, the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") issue a number of new standards, amendments to standards and interpretations that are effective for future reporting periods. There are no standards that are not yet effective that would be expected to have a material impact on the Corporation in the current or future reporting periods at this time.

Controls and Procedures

Disclosure Controls and Procedures ("DC&P")

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the design and operating effectiveness of our DC&P was conducted, as at December 31, 2021, 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, 2021, our DC&P, as defined 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, 2021, ICFR (as defined in NI 52-109) were effective. There were no changes in our ICFR during the year ended December 31, 2021 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 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 disruption and increasing material costs;
- reliance on key persons and 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 and other climate change related measures;
- change in government administrations;
- conservation measures and technological advances;
- terrorist attack or armed conflict;
- sufficiency of internal controls;
- 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.

OTHER INFORMATION

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2021 is available on SEDAR at www.sedar.com.