



FORGING AHEAD

MD&A AND FINANCIAL REPORT 16





MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2016



EXPLANATORY NOTES

The following Management's Discussion and Analysis of Financial Results ("MD&A"), dated March 8, 2017, should be read in conjunction with the cautionary statement regarding forward-looking information and statements below, as well as the audited consolidated financial statements and notes thereto, for the years ended December 31, 2016 and 2015. The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in the following MD&A are in Canadian dollars unless otherwise stated. References to "McCoy," "McCoy Global," "the Corporation," "we," "us" or "our" mean McCoy Global Inc. and its subsidiaries, unless the context otherwise requires. Additional information relating to McCoy Global, including periodic quarterly and annual reports and Annual Information Forms ("AIF"), filed with Canadian securities regulatory authorities, is available on SEDAR at sedar.com and our website at mccoyglobal.com.

FORWARD-LOOKING INFORMATION AND STATEMENTS

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

Forward-looking statements relating to McCoy Global's:

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

Forward-looking statements respecting:

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

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

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

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

Readers are cautioned that the foregoing list is not exhaustive.

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

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

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

DESCRIPTION OF GAAP MEASURES AND NON-GAAP MEASURES

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

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

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

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

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

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

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

OUTLOOK AND FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

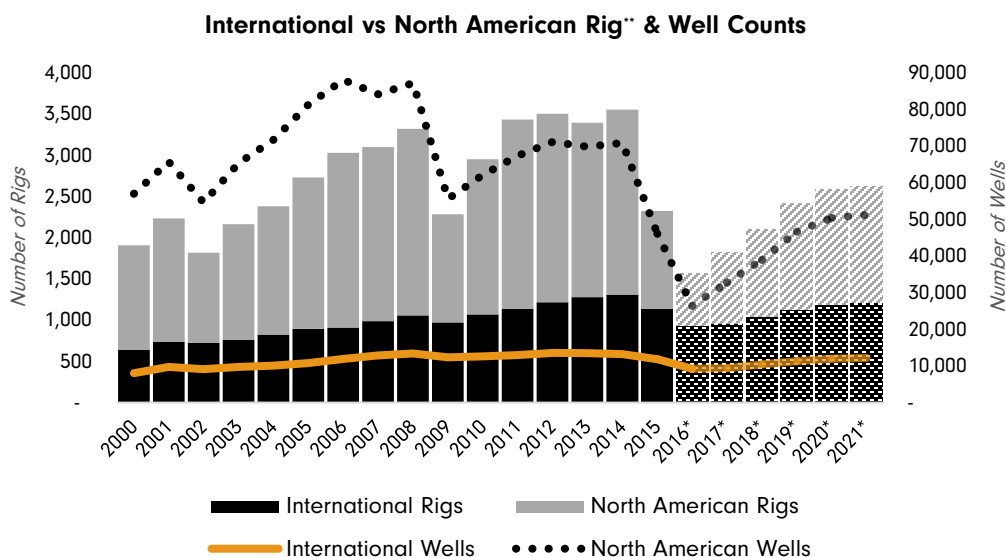
In summary, we enter 2017 with some exciting opportunities for our products and services. There remain some challenges ahead, but we are looking forward to beginning the next phase in our over 100 year journey as an organization.

MARKET CONDITIONS

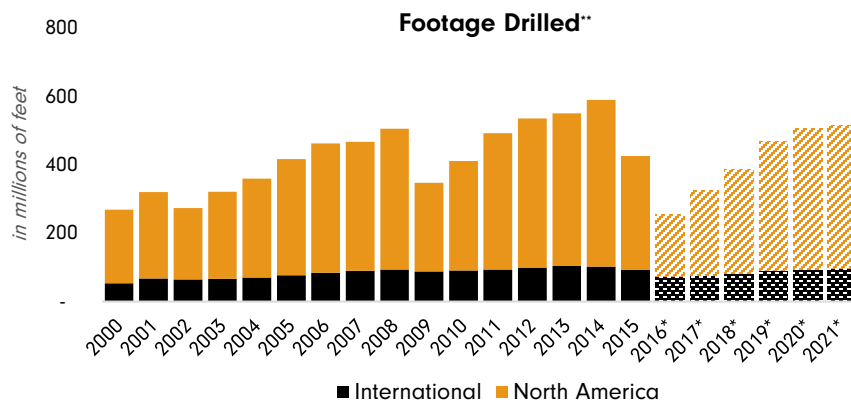
The demand for McCoy Global's products and services is ultimately driven by oil and natural gas prices. Oil and natural gas prices typically drive exploration and production companies to increase or decrease capital spending which in turn leads to a corresponding increase or decrease in drilling and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

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

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



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



*Estimated

**Cumulative

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

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

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

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

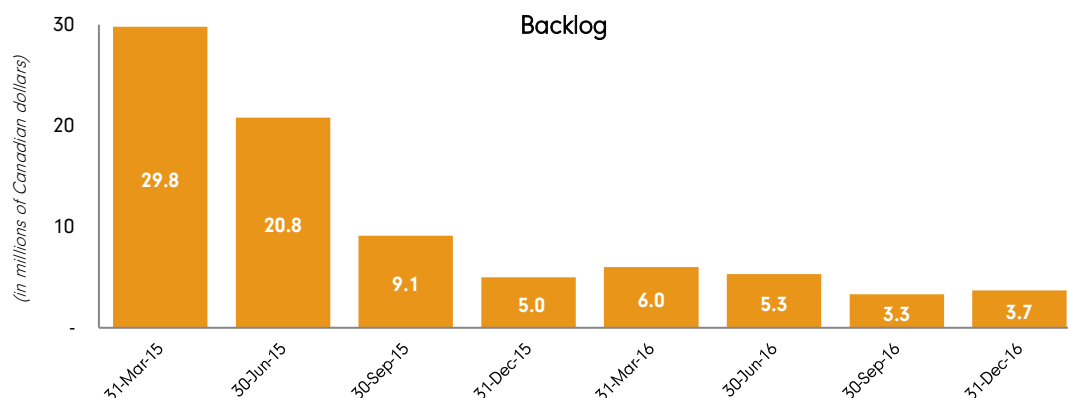
Backlog

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

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

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

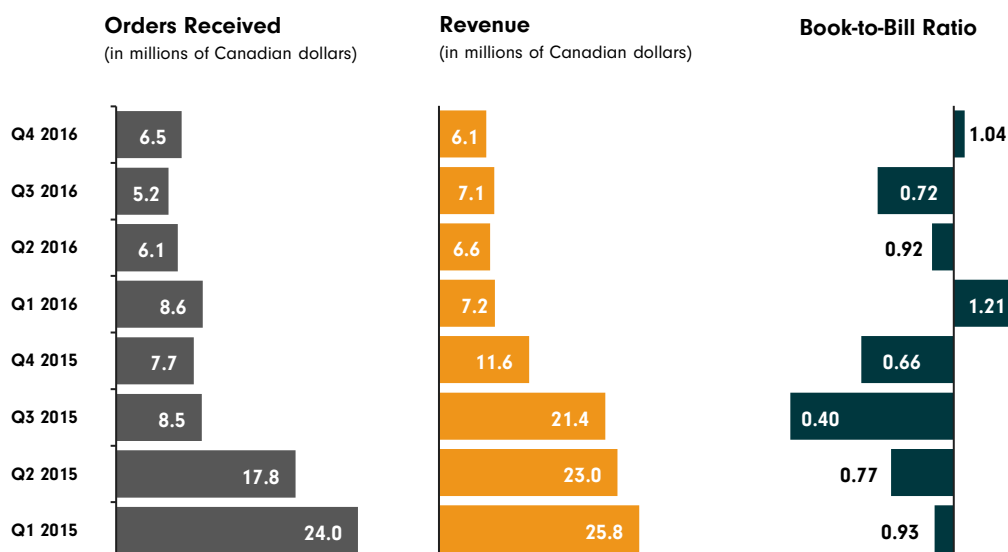
McCoy Global's backlog as at December 31, 2016 totaled \$3.7 million, an increase of \$0.4 million or 13% from September 30, 2016.



Book-to-Bill Ratio

The book-to-bill ratio is a measure of the amount of net sales orders received to revenues recognized and billed in a set period of time. The ratio is an indicator of customer demand and sales order processing times. The book-to-bill ratio is not a GAAP measure and therefore the definition and calculation of the ratio will vary among other issuers reporting the book-to-bill ratio. McCoy Global calculates the book-to-bill ratio as net sales orders taken in the reporting period divided by the revenues reported for the same reporting period.

Set out below are orders received, revenue and the book-to-bill ratio:



STRATEGY AND CORE BUSINESS VISION

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

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

The Corporation is engaged in the following:

- Design, production and distribution of capital equipment used in both off-shore and land drilling markets to handle, make-up and measure tubular products, such as casing, and to support this capital equipment through the sale of aftermarket product and services such as technical support, consumables (dies and inserts), and replacement parts;
- Repair, maintenance, and calibration of the Corporation's capital equipment and similar competitor products; and
- Rental of the Corporation's capital equipment.

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

Set out below are McCoy Global's principal operations:

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

FINANCIAL RESULTS

SUMMARY OF CONSOLIDATED ANNUAL RESULTS

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

EBITDA and adjusted EBITDA are calculated as follows:

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

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

REVENUE

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

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

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

Geographic sales

The Corporation attributes revenue to a geographic region based on the location of the customer being invoiced. However, the geographic region where equipment is ultimately placed into service may significantly differ from the customer invoice location. Many of McCoy Global's customers are large multinational companies which may place an order, for example, in the United States, and redistribute the equipment. Further, McCoy Global invoices equipment to United States distributors who re-sell equipment both domestically and internationally. This revenue is attributed to the United States in the table below. Geographic revenues are calculated on a consistent basis from period to period; however, users are cautioned that this information may not reflect the actual geographic location where the equipment is placed into service.

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

GROSS PROFIT

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

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

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

GENERAL AND ADMINISTRATION (G&A)

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

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

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

SALES AND MARKETING

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

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

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

RESEARCH AND DEVELOPMENT (R&D)

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

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

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

OTHER ITEMS

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

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

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

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

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

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

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

SUMMARY OF CONSOLIDATED FOURTH QUARTER RESULTS

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

EBITDA and adjusted EBITDA are calculated as follows:

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

REVENUE

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

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

GROSS PROFIT

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

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

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

GENERAL AND ADMINISTRATION (G&A)

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

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

SALES AND MARKETING

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

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

RESEARCH AND DEVELOPMENT

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

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

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

OTHER ITEMS

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

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

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

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

Selected cash flow and capitalization information is as follows:

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

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

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

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

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

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

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

FINANCIAL RISK MANAGEMENT

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

OTHER FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS

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

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

RELATED PARTY TRANSACTIONS

Divestiture

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

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

Key management personnel

Key management personnel include the Directors and senior corporate officers of the Corporation who are primarily responsible for planning, directing and controlling the Corporation's business activities.

Compensation awarded to key management personnel for employee services for the years ended December 31, 2016 and 2015 are as follows:

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

Operating lease expense

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

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

OUTSTANDING SHARE DATA

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

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

The stock options are exercisable into an equal number of common shares.

Dividends

A summary of historical dividend information is as follows:

Dividend declared	Dividend paid	Amount per common share
May 15, 2015	June 11, 2015	\$0.05
March 11, 2015	April 13, 2015	\$0.05
December 4, 2014	December 31, 2014	\$0.05
September 9, 2014	October 8, 2014	\$0.05
May 23, 2014	June 20, 2014	\$0.05
March 14, 2014	April 14, 2014	\$0.05

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) *Trade and other receivables*

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

(ii) *Inventories*

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

(iii) *Provisions*

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

(iv) *Income tax*

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

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

(v) *Impairment of financial assets*

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

(vi) *Impairment of non-financial assets*

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

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

FUTURE ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") have issued a number of new standards, amendments to standards and interpretations that are not effective for December 31, 2016 reporting periods. These have not been applied by the Corporation in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below:

Proposed standards and amendments	Description	Anticipated impact	Effective date
IFRS 15 – Revenue from contracts with customers	Outlines a new revenue recognition model for contracts with customers based on the underlying principle that revenue is recognized at the amount the Corporation expects to be entitled to in exchange for goods or services under contract. Additional disclosure is also specified.	A formal assessment of the transitional implication to the Corporation will be completed in the future.	January 1, 2018
IFRS 9 – Financial instruments: classification and measurement	Specifies that financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. The classification and measurement of financial liabilities remain generally unchanged.	The new standard is not expected to have a significant impact on the Corporation.	January 1, 2018
IFRS 7 – Financial instruments: disclosures	Specifies that additional disclosure is required upon implementation of IFRS 9.	The new standard is not expected to have a significant impact on the Corporation.	January 1, 2018
IFRS 16 – Leases	Specifies that lessees are to recognize leases that were traditionally recorded as operating leases in a similar way to finance leases under existing IAS 17.	A formal assessment of the transitional implications to the Corporation will be completed in the future.	January 1, 2019

Management continues to evaluate the potential measurement and disclosure impacts of these new standards on the Corporation's financial statements. The Corporation does not anticipate early adoption of this standard at this time. There are no other standards that are not yet effective and that would be expected to have a material impact on the Corporation in the current or future reporting periods.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

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

An evaluation of the design and operating effectiveness of our DC&P was conducted, as at December 31, 2016, by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as at December 31, 2016, our DC&P, as in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), was effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

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

Our ICFR includes policies and procedures that pertain to the maintenance of records that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; and are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our annual consolidated financial statements.

Because of its inherent limitations, ICFR can provide only reasonable assurance and may not prevent or detect misstatements.

Furthermore, projections of an evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management, under the supervision of the CEO and CFO, has evaluated the design and operating effectiveness of our ICFR using the framework and criteria established in Internal Controls – Integrated Framework of 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO have concluded that as at December 31, 2016, ICFR (as defined in NI 52-109) were effective. There were no changes in our ICFR during the year ended December 31, 2016 that have materially affected, or are reasonably likely to affect, our ICFR.

RISK AND UNCERTAINTIES RELATED TO THE BUSINESS

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

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

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

RISK FACTORS

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

OIL AND NATURAL GAS FLUCTUATIONS

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

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

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

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

DOMESTIC AND FOREIGN COMPETITION

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

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

TECHNOLOGY

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

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

REPLACEMENT OR REDUCED USE OF PRODUCTS AND SERVICES

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

INTERNATIONAL OPERATIONS

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

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

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

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

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

BUSINESS MERGERS AND ACQUISITIONS

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

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

SUPPLY CHAIN

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

Steel is a component of the Corporation's products and a component of many of the parts purchased by the Corporation for the production of its products. Disruption in the supply of steel may affect the Corporation's ability to fill orders in a timely fashion and volatility of steel prices may affect gross margins.

RELIANCE ON KEY PERSONS AND WORKFORCE AVAILABILITY

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

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

LEGAL COMPLIANCE

The Corporation does business in, and sells goods into, many countries and its operations are subject to many different laws, customs and cultures. Business is conducted by both McCoy Global personnel and third party representatives. The Corporation is required to comply with applicable anti-corruption laws, including the Canadian Corruption of Foreign Public Officials Act (the "CFPOA"), the US Foreign Corrupt Practices Act (the "FCPA") and the United Kingdom Bribery Act 2010, as well as local laws in all countries in which the corporation does business. Furthermore, certain products and services are subject to the export control laws of the United States, Canada, the United Kingdom, Singapore, the United Arab Emirates and other countries where its products are sold. Failure to comply with the laws and regulations governing exports may result in monetary fines for individuals as well as McCoy Global, loss of McCoy Global's export privileges, imprisonment, and other sanctions. The Corporation has established policies and procedures that McCoy Global personnel must follow to ensure compliance with those laws and regulations.

LITIGATION

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

BREACH OF CONFIDENTIALITY

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

SAFETY PERFORMANCE

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

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

FOREIGN EXCHANGE

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

RESTRICTIVE COVENANTS ON CREDIT FACILITY

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

AVAILABILITY OF FINANCING

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

SELLING ADDITIONAL COMMON SHARES

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

CUSTOMERS' INABILITY TO OBTAIN CREDIT/FINANCING

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

INSURANCE SUFFICIENCY, AVAILABILITY AND RATE

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

INFORMATION SECURITY

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

CHALLENGES BY TAXATION AUTHORITIES

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

OTHER INFORMATION

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



CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015



MANAGEMENT STATEMENT OF RESPONSIBILITY

The preparation and presentation of the accompanying consolidated financial statements of McCoy Global Inc. (the "Corporation"), which have been prepared in accordance with International Financial Reporting Standards, are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, the Corporation's financial position, financial performance and cash flows. The Corporation's accounting procedures and related systems of internal controls are designed to provide reasonable assurance that its assets are safeguarded and its financial information is reliable.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the Corporation's external auditors. The external auditors are responsible for examining the consolidated financial statements and expressing their opinion on the fairness of the consolidated financial statements in accordance with International Financial Reporting Standards. The auditors' report outlines the scope of their audit examination and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Audit Committee meets regularly with management and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reports its findings to the Board of Directors for their consideration when approving the consolidated financial statements for issuance to the shareholders. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the external auditors.

(signed) "Jim Rakievich"

President & Chief Executive Officer

March 8, 2017

(signed) "Jacob Coonan"

Senior Vice President & Chief Financial Officer



March 8, 2017

Independent Auditor's Report

To the Shareholders of McCoy Global Inc.

We have audited the accompanying consolidated financial statements of McCoy Global Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5
T: +1 780 441 6700, F: +1 780 441 6776

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of McCoy Global Inc. and its subsidiaries as at December 31, 2016 and 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in thousands of Canadian dollars)

As at	Note	December 31, 2016	December 31, 2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		22,176	27,450
Trade and other receivables	20	4,877	9,103
Inventories	5	28,197	43,776
Income tax recoverable		4,370	3,680
Other current assets	6	1,594	3,621
		61,214	87,630
Property, plant and equipment	7	7,113	15,405
Intangible assets	8	1,439	6,896
Deferred tax assets	13	129	636
Total assets		69,895	110,567
Liabilities			
Current liabilities			
Trade and other payables	10	3,655	6,532
Customer deposits		458	1,289
Provisions	11	2,347	3,353
Income tax payable		-	1,470
		6,460	12,644
Provisions	11	3,630	150
Deferred tax liabilities	13	-	304
Total liabilities		10,090	13,098
Shareholders' equity	14		
Share capital		60,187	60,187
Contributed surplus		4,617	4,306
Accumulated other comprehensive income		9,848	11,897
Retained deficit		(14,847)	21,079
Total shareholders' equity		59,805	97,469
Commitments	24		
Total liabilities and shareholders' equity		69,895	110,567

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

(signed) "Jim Rakievich"
Director

(signed) "Chris Seaver"
Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Stated in thousands of Canadian dollars, except per share amounts)

For the years ended	Note	December 31, 2016	December 31, 2015
		\$	\$
Revenue	16	26,999	81,776
Cost of sales		32,708	61,095
Gross (loss) profit		(5,709)	20,681
General and administration		11,040	20,004
Sales and marketing		3,092	4,811
Research and development		1,039	1,364
Restructuring charges	11	9,557	1,277
Impairment charges	7, 8	6,645	5,898
Other losses (gains), net		2,463	(2,239)
Finance charges, net	12	116	604
		33,952	31,719
Loss before income taxes		(39,661)	(11,038)
Income tax (recovery) expense	18		
Current		(3,925)	(668)
Deferred		190	607
		(3,735)	(61)
Net loss		(35,926)	(10,977)
Other comprehensive income			
Translation (loss) gain of foreign operations		(2,049)	8,265
Comprehensive loss		(37,975)	(2,712)
Loss per share	19		
Basic from net loss		(1.30)	(0.40)
Diluted from net loss		(1.30)	(0.40)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in thousands of Canadian dollars, except share amounts)

	Issued capital					
	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Retained (deficit) earnings	Total equity
	#	\$	\$	\$	\$	\$
Balances at January 1, 2015	27,694,239	60,137	3,778	3,632	34,826	102,373
Net loss	-	-	-	-	(10,977)	(10,977)
Translation gain on foreign operations	-	-	-	8,265	-	8,265
Employee share-based compensation expense	-	-	543	-	-	543
Dividends	-	-	-	-	(2,770)	(2,770)
Common shares issued on exercise of stock options	10,000	50	(15)	-	-	35
Balances at December 31, 2015	27,704,239	60,187	4,306	11,897	21,079	97,469
Net loss	-	-	-	-	(35,926)	(35,926)
Translation loss on foreign operations	-	-	-	(2,049)	-	(2,049)
Employee share-based compensation expense	-	-	311	-	-	311
Balances at December 31, 2016	27,704,239	60,187	4,617	9,848	(14,847)	59,805

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands of Canadian dollars)

For the years ended	Note	December 31, 2016	December 31, 2015
Cash generated from (used in)		\$	\$
Operating activities			
Net loss		(35,926)	(10,977)
Adjustments for:			
Depreciation of property, plant and equipment	7	3,465	4,438
Amortization of intangible assets	8	1,226	3,173
Income tax recovery		(3,735)	(61)
Finance charges, net		116	604
EBITDA		(34,854)	(2,823)
Share-based compensation expense	15	332	393
Non-cash change in value of derivative financial instruments	20	-	(977)
Impairment charges	7, 8	6,645	5,898
Changes in non-cash working capital balances	23	15,976	4,021
Changes in restructuring provision	11	3,204	-
Income taxes recovered (paid), net		1,723	(2,897)
Finance costs paid, net		(86)	(264)
(Gain) loss on disposal of property, plant and equipment		(140)	354
Net cash (used in) generated from operating activities		(7,200)	3,705
Investing activities			
Proceeds from sale of subsidiaries		-	848
Purchases of property, plant and equipment		(862)	(1,516)
Proceeds from sale of property, plant and equipment		2,399	172
Additions to intangible assets		(52)	(1,505)
Net cash generated from (used in) investing activities		1,485	(2,001)
Financing activities			
Proceeds from issuance of share capital on exercise of options		-	35
Dividends paid	14(b)	-	(2,770)
Net cash used in financing activities		-	(2,735)
Effect of exchange rate changes on cash and cash equivalents		441	(1,395)
Decrease in cash and cash equivalents		(5,274)	(2,426)
Cash and cash equivalents – beginning of the year		27,450	29,876
Cash and cash equivalents – end of the year		22,176	27,450

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

(in thousands of Canadian dollars, except share data or unless otherwise specified)

1. NATURE OF OPERATIONS

McCoy Global Inc. ("McCoy", "McCoy Global" or the "Corporation") is incorporated and domiciled in Canada and leading provider of equipment and technologies used for making up threaded connections in the global oil and gas industry. McCoy Global's core products are used predominantly during the well construction phase for both land and offshore wells during both oil and gas exploration.

The Corporation is engaged in the following:

- Design, production and distribution of capital equipment used in both off-shore and land drilling markets to handle, make-up and measure tubular products, such as casing, and to support this capital equipment through the sale of aftermarket product and services such as technical support, consumables (dies and inserts), and replacement parts;
- Repair, maintenance, and calibration of the Corporation's capital equipment and similar competitor products; and
- Rental of the Corporation's capital equipment.

Set out below are McCoy's principal operations:

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

McCoy and its subsidiary companies are collectively referred to herein as the "Corporation."

The address of the registered office of the Corporation is DLA Piper (Canada) LLP, Livingston Place, 1000 - 250 2nd Street SW, Calgary, Alberta. The Corporation is listed on the Toronto Stock Exchange under the symbol "MCB."

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were approved by the Board of Directors on March 8, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all years presented unless otherwise stated herein.

a) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

The consolidated financial statements have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes. The consolidated financial statements are presented in Canadian dollars, rounded to the nearest thousand, except when otherwise indicated. Subsidiaries incorporated in Canada have a functional currency of Canadian dollars. The Corporation's principal operations in the United States, United Kingdom, Singapore, and the United Arab Emirates have a functional currency of US dollars.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of loss and comprehensive loss are presented using the function classification for expenditures.

b) BASIS OF CONSOLIDATION

Subsidiaries are those entities the Corporation controls. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation until the date control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- acquisition transaction costs are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date;
- the excess of the fair value of consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- if the fair value of the consideration transferred is less than the fair value of the net assets acquired, the difference is recognized directly in the consolidated statements of earnings (loss) and comprehensive income (loss).

c) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) TRADE AND OTHER RECEIVABLES

The Corporation records trade and other receivables at amortized cost. Write-downs for trade and other receivables are recorded each period as required and updated based on management's judgment. Further information regarding this judgment is described in note 3(e) and note 20(b)(ii).

(ii) INVENTORIES

The Corporation records inventories at the lower of cost and net realizable value. Write-downs for inventories are recorded each period as required and updated based on management's judgment. Further information regarding this judgment is described in note 3(g) and note 5.

(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. Further information regarding these estimates and judgments are described in note 3(k) and note 11.

(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. Further information regarding the judgment used is described in note 3(m) and note 18.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Judgment and estimation is necessary to determine the likelihood and availability of future taxable profits against which tax losses and tax credits carried forward can be used. Further information regarding this judgment is described in note 3(m) and note 13.

(v) IMPAIRMENT OF FINANCIAL ASSETS

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets carried at amortized cost is impaired. Judgment is used in determining whether any indications of impairment over the loan or receivable are present and in determining the likelihood, timing and estimated future cash inflows related to the loan or receivable. Further information regarding the judgment used is described in note 20.

(vi) IMPAIRMENT OF NON-FINANCIAL ASSETS

Long-lived assets include property, plant and equipment and intangible assets. The carrying value of these assets is periodically reviewed for impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the accounting policy stated in note 3(j). Judgment is required in the aggregation of assets into Cash Generating Units "CGUs".

The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and judgments, including an estimation of the future cash flows from the CGU or group of CGUs and judgment is required in determining the appropriate discount rate. In deriving the underlying projected cash flows, assumptions must also be made about the impact of future drilling activity on sales, operating margins and market conditions over the useful life of the assets or CGUs. Although estimates are consistent with current industry reports, internal planning and expected future operations, such estimations, are subject to uncertainty and judgment. Further information regarding the estimates and judgment used is described in note 9.

d) TRANSLATION OF FOREIGN CURRENCY

(i) FOREIGN CURRENCY TRANSACTIONS

Monetary and non-monetary transactions denominated in foreign currencies are translated into the entity's functional currency at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. Foreign currency translation differences are recognized in earnings or loss.

(ii) FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates at the reporting date. The earnings and expenditures of foreign operations are translated into Canadian dollars each month using the monthly average foreign exchange rate applicable for that month. Currency translation differences, including those on monetary items that form part of a net investment in a foreign operation, are recognized in other comprehensive income ("OCI") as a translation gain or loss on foreign operations, and may be subsequently reclassified to earnings or loss on disposal of a foreign operation.

e) FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligation has been discharged, cancelled or expired.

(i) NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Financial Instrument	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Amounts held in escrow on business divestitures	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Onerous lease and legal provisions	Other financial liabilities	Amortized cost

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

- **LOANS AND RECEIVABLES**

Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- **OTHER FINANCIAL LIABILITIES**

Other financial liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

(ii) DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency forward contracts may be used by the Corporation to manage foreign exchange exposures, consisting mainly of US dollar exposures, resulting from anticipated transactions denominated in foreign currencies.

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

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

f) CASH AND CASH EQUIVALENTS

Cash and cash equivalents primarily comprise Canadian dollar and US dollar cash on hand. The Corporation holds local currency for each location its operations are in for local purchases and expenditures.

g) INVENTORIES

Raw materials, work-in-progress and finished goods inventories are recorded at the lower of cost, as determined on a weighted average cost basis, and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of work-in-progress and finished goods and manufactured production parts inventories includes raw materials, direct labour and an estimated share of production overheads based on normal operating capacity. If the carrying value exceeds net realizable value, a write-down is recognized. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed, up to the amount of the original write-down, so that the new carrying amount is the lower of the cost and the revised net realizable value.

Finished goods consist of parts and equipment inventories that are available for sale to external parties. Certain parts, classified as finished goods, may also be used in the production of finished goods.

h) PROPERTY, PLANT AND EQUIPMENT

(i) RECOGNITION AND MEASUREMENT

Items of property, plant and equipment ("PP&E") are measured at cost less accumulated depreciation and any associated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When parts of an item of PP&E have different useful lives, they are accounted for as separate major components of PP&E.

Gains and losses on disposals of PP&E are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in earnings or loss.

(ii) SUBSEQUENT COSTS

Costs incurred subsequent to the asset being put into use are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to earnings or loss as incurred.

(iii) DEPRECIATION

PP&E is depreciated on a straight-line basis over the period of their expected useful lives as follows:

Machinery and office equipment	3 – 15 years
Rental equipment	3 – 8 years
Computer equipment	1 – 3 years
Leasehold improvements	Term of related lease
Automotive equipment	3 – 5 years

No depreciation is charged on land. Depreciation is not recognized on assets under construction until such time that they are ready for their intended use. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. The effect of such changes is recognized in earnings or loss prospectively.

i) INTANGIBLE ASSETS

(i) INTERNALLY GENERATED INTANGIBLE ASSETS

Expenditures on research are recognized as an expense in earnings or loss as incurred.

Costs incurred on product development are capitalized as intangible assets when it is probable the development will provide economic benefits, considering its commercial and technical feasibility, the resources available for development and that costs can be measured reliably. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to the asset in order for it to be capable of operating in the manner intended by management. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

The Corporation has incurred costs associated with the purchase and development of computer software. Computer software is initially recorded at cost, including directly attributable expenditures that are necessary to prepare the software for its intended use. Costs associated with maintaining computer software are recognized as an expense as incurred. Subsequent to initial recognition, software development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) OTHER INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired in business combinations include customer relationships, trade names and intellectual property.

(iii) AMORTIZATION

Intangible assets with finite lives are amortized on a straight-line basis over the period of their expected useful lives as follows:

Internally generated intellectual property	5 years
Acquired intellectual property	13 – 15 years
Internally generated software	5 years
Acquired trade names	3 years
Acquired customer relationships	10 years
Software	1 – 8 years

Amortization is not recognized on assets under development until such time that they are ready for their intended use.

j) IMPAIRMENT

(i) FINANCIAL ASSETS

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets carried at amortized cost is impaired. If there is objective evidence, such as significant financial difficulty of the obligor, breach of contract or it becomes probable the debtor will enter bankruptcy, the asset is tested for impairment.

The amount of loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. If in a subsequent period the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

(ii) NON-FINANCIAL ASSETS

The carrying values of non-financial assets, such as PP&E and intangible assets with finite useful lives are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is determined. Intangible assets with indefinite useful lives or under development are tested for impairment annually.

For impairment testing, assets are grouped together into CGUs, defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. Corporate assets are allocated to CGUs on a reasonable and consistent basis, where possible.

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

An impairment loss is recognized in earnings or loss for the amount by which the assets or CGU's carrying amount exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

k) PROVISIONS

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A restructuring provision is recognized when the Corporation has developed a detailed formal plan for restructuring and has formally announced the plan's main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Corporation.

l) LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to earnings or loss on a straight-line basis over the period of the lease.

Leases in which substantially all the risks and rewards of ownership have transferred to the Corporation are classified as finance leases. The leased assets are recognized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance lease balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance cost is charged to earnings or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

m) INCOME TAX

Income tax expense comprises of current and deferred taxes. Current and deferred taxes are normally recognized in earnings or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the period, using the tax rates enacted, or substantively enacted, at the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when they relate to taxes levied by the same tax authority on the same taxable entity and there is a legally enforceable right to offset the current tax assets and liabilities.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are determined on a non-discounted basis using tax rates and laws that have been enacted, or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

n) SHARE-BASED COMPENSATION**(i) EQUITY SETTLED SHARE-BASED COMPENSATION**

The Corporation grants share options to certain employees, which are equity settled. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized as an employee expense over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

(ii) CASH SETTLED SHARE-BASED COMPENSATION

The Corporation grants deferred share units to certain directors of the Corporation, which are cash settled. Fair value is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the vesting period based on the number of awards expected to vest, by increasing or decreasing liabilities. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately. The fair value of the liability is remeasured on each consolidated statement of financial position date and settlement date, with any changes in fair value recognized in earnings or loss.

o) DIVIDENDS

Dividends on common shares are recognized in the consolidated financial statements in the period in which the dividends are declared by the Board of Directors of the Corporation.

p) SHARE CAPITAL

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

q) EARNINGS PER SHARE

The Corporation presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the net earnings for the year attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation's potentially dilutive common shares comprise share options granted to employees.

r) REVENUE

(i) SALE OF PRODUCTS

Revenues from the sale of products are recognized when the risks and rewards of ownership have transferred, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably; there is no continuing management involvement with the goods; and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Corporation's activities. Revenue is presented net of sales tax, returns and discounts and after eliminating sales within the Corporation.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement, and typically occurs when products are shipped and the title has passed to the customer. Provisions for estimated warranty costs are made at the time the related revenue is recognized.

(ii) RENDERING OF SERVICES

Revenues from repair, maintenance, and calibration services are recognized as the services are rendered, when recovery of the consideration is probable and revenue can be measured reliably. Rates for services are typically priced on a per man-hour or similar basis.

(iii) RENTAL

Revenues from equipment rentals are recognized when there is a written arrangement in the form of a contract or purchase order with the customer, a fixed or determinable sales price is established with the customer, performance requirements are achieved and when recovery of the consideration is probable. Equipment rental revenue is recognized as performance requirements are achieved in accordance with the terms of the relevant agreement with the customer.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") have issued a number of new standards, amendments to standards and interpretations that are not effective for December 31, 2016 reporting periods. These standards and amendments have not been applied by the Corporation in preparing these consolidated financial statements. Those that may be relevant to the Corporation are set out below.

Proposed standards and amendments	Description	Anticipated impact	Effective date
IFRS 15 – Revenue from Contracts with Customers	Outlines a new revenue recognition model for contracts with customers based on the underlying principle that revenue is recognized at the amount the Corporation expects to be entitled to in exchange for goods or services under contract. Additional disclosure is also specified.	A formal assessment of the transitional implication to the Corporation will be completed in the future.	January 1, 2018
IFRS 9 – Financial Instruments - Classification and Measurement	Specifies that financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. The classification and measurement of financial liabilities remain generally unchanged.	The new standard is not expected to have a significant impact on the Corporation.	January 1, 2018
IFRS 7 – Financial Instruments - Disclosures	Specifies that additional disclosure is required on implementation of IFRS 9.	The new standard is not expected to have a significant impact on the Corporation.	January 1, 2018
IFRS 16 – Leases	Specifies that lessees are to recognize leases that were traditionally recorded as operating leases in a similar way to finance leases under existing IAS 17.	A formal assessment of the transitional implication to the Corporation will be completed in the future.	January 1, 2019

Management continues to evaluate the potential measurement and disclosure impacts of these new standards on the Corporation's consolidated financial statements. The Corporation does not anticipate early adoption of these standards at this time.

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

5. INVENTORIES

	2016	2015
	\$	\$
Raw materials	2,127	2,837
Work-in-progress	536	4,963
Parts to be used in production	8,421	16,822
Production inventory	11,084	24,622
Finished goods available for sale	17,113	19,154
	28,197	43,776

Production parts are purchased or produced for the use in the production of finished goods. Finished goods available for sale consist of parts and equipment inventories that are available to external parties.

During the year ended December 31, 2016, raw materials and changes in finished goods and work-in-progress inventories included in cost of sales amounted to \$14,600 (2015 - \$44,612).

Included in cost of sales for the year ended December 31, 2016, is a net write-down of inventories to net realizable value of \$2,665 (2015 - \$1,597).

Inventory write-downs relating to the Corporation's restructuring plan, as described in note 11(c), amounted to \$3,977 (2015 - \$nil) and is included in restructuring charges. These write-downs are in excess of the Corporation's inventory provision policy and are directly attributable to restructuring activities.

The net realizable value of capital equipment and related accessories included in finished goods available for sale, were assessed on an individual basis. Judgment was used in assessing the net realizable value of each item of capital equipment, including accessories. All other items in inventory were assessed for obsolescence at a distinct part level. If a distinct part was not sold externally or consumed internally in the production process within two years prior to the statement of financial position date, the inventory was provided for during the year. Judgment was used in establishing the two year time frame to determine the estimated net realizable value of inventories on hand.

6. OTHER ASSETS

	2016	2015
	\$	\$
Prepaid expenses, deposits and other	1,109	2,206
Amounts held in escrow on business divestitures	485	1,415
Other assets	1,594	3,621

Amounts held in escrow relate to the consideration to be received on the sale of a business. Escrow funds are held in trust with legal counsel and are past the scheduled payment dates per the share purchase agreement. The Corporation is working with the purchaser to facilitate the release of the funds from escrow. It is management's judgment that proceeds will be released from escrow within twelve months of the statement of financial position date.

7. PROPERTY, PLANT AND EQUIPMENT

	Machinery and office equipment	Rental equipment	Computer equipment	Leasehold improvements	Automotive equipment	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balances at January 1, 2015	24,428	2,412	3,147	3,770	570	34,327
Additions	657	499	225	135	-	1,516
Disposals	(4,803)	(16)	(354)	(169)	(93)	(5,435)
Foreign exchange	3,026	366	223	191	77	3,883
Balances at December 31, 2015	23,308	3,261	3,241	3,927	554	34,291
Additions	41	821	-	-	-	862
Transfers to inventory	-	(774)	-	-	-	(774)
Disposals	(7,003)	(391)	-	-	(221)	(7,615)
Foreign exchange	(663)	(119)	(46)	(40)	(21)	(889)
Balances at December 31, 2016	15,683	2,798	3,195	3,887	312	25,875
Accumulated depreciation						
Balances at January 1, 2015	12,917	190	2,034	2,121	327	17,589
Depreciation	2,960	312	641	419	106	4,438
Disposals	(4,423)	(2)	(313)	(78)	(93)	(4,909)
Foreign exchange	1,469	32	146	79	42	1,768
Balances at December 31, 2015	12,923	532	2,508	2,541	382	18,886
Depreciation	2,081	456	364	504	60	3,465
Impairment	2,098	-	-	262	-	2,360
Transfers to inventory	-	(210)	-	-	-	(210)
Disposals	(5,071)	(76)	-	-	(209)	(5,356)
Foreign exchange	(311)	(14)	(27)	(18)	(13)	(383)
Balances at December 31, 2016	11,720	688	2,845	3,289	220	18,762
Carrying amount						
At December 31, 2015	10,385	2,729	733	1,386	172	15,405
At December 31, 2016	3,963	2,110	350	598	92	7,113

During the year ended December 31, 2016, depreciation included in cost of sales amounted to \$3,113 (2015 - \$3,710); depreciation in general and administration amounted to \$329 (2015 - \$674); depreciation in research and development amounted to \$23 (2015 - \$54). At December 31, 2016, PP&E of \$nil (2015 - \$27) is under development or construction and not available for use. While not available for use, PP&E is not depreciated.

As a result of the restructuring plan described in note 11(c), certain PPE was identified which would no longer be utilized to support revenue generating activities. It was determined through external appraisals and other assessments that the recorded net book value of certain assets exceeded the recoverable value (lower of fair value less costs to sell and value in use). Accordingly, the Corporation recognized an impairment charge of \$2,360 (2015 - \$nil) against PPE specific to the restructuring plan.

8. INTANGIBLE ASSETS

	Internally generated intellectual property	Acquired intellectual property	Internally generated software	Acquired trade names	Acquired customer relationships	Software	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balances at January 1, 2015	6,020	8,785	2,735	2,900	1,363	1,974	23,777
Additions	1,129	-	-	-	-	376	1,505
Retirements	-	(671)	-	-	-	(303)	(974)
Foreign exchange	-	-	-	-	-	112	112
Balances at December 31, 2015	7,149	8,114	2,735	2,900	1,363	2,159	24,420
Additions	52	-	-	-	-	-	52
Retirements	(4,507)	(8,114)	-	(2,900)	(1,363)	(902)	(17,786)
Foreign exchange	-	-	-	-	-	(56)	(56)
Balances at December 31, 2016	2,694	-	2,735	-	-	1,201	6,630
Accumulated amortization							
Balances, January 1, 2015	736	4,584	545	1,007	1,013	1,449	9,334
Amortization	529	569	548	967	143	417	3,173
Retirements	-	(671)	-	-	-	(303)	(974)
Impairment	1,133	3,632	-	926	207	-	5,898
Foreign exchange	-	-	-	-	-	93	93
Balances at December 31, 2015	2,398	8,114	1,093	2,900	1,363	1,656	17,524
Amortization	316	-	548	-	-	362	1,226
Retirements	(4,507)	(8,114)	-	(2,900)	(1,363)	(902)	(17,786)
Impairment	4,285	-	-	-	-	-	4,285
Foreign exchange	-	-	-	-	-	(58)	(58)
Balances at December 31, 2016	2,492	-	1,641	-	-	1,058	5,191
Carrying amounts							
At December 31, 2015	4,751	-	1,642	-	-	503	6,896
At December 31, 2016	202	-	1,094	-	-	143	1,439

During the year ended December 31, 2016, amortization included in cost of sales amounted to \$322 (2015 - \$1,198); amortization in general and administration amounted to \$904 (2015 - \$865); and amortization included in sales and marketing amounted to \$nil (2015 - \$1,110).

Included in internally generated intellectual property is \$42 (2015 - \$3,161) that relates to products under development. While in development, internally generated intellectual property is not amortized until it has reached commercial production.

The cost and accumulated amortization of assets with no remaining economic life were retired during 2016. The remaining amortization period of the finite-life intangible assets is as follows:

	2016	2015
Internally generated intellectual property	1 – 2 years	1 – 7 years
Internally generated software	1 – 2 years	3 years
Software	1 – 2 years	1 – 2 years

a) INTERNALLY GENERATED INTELLECTUAL PROPERTY

In response to depressed market conditions, the Corporation reviewed capitalized development costs related to new product development projects. Management determined that the future economic benefits expected from the use of these assets is uncertain and recognized an impairment charge of \$4,285 (2015 - \$1,133) against internally generated intellectual property.

b) ACQUIRED INTELLECTUAL PROPERTY, ACQUIRED TRADE NAMES AND ACQUIRED CUSTOMER RELATIONSHIPS

In 2015, it was determined that the acquired intellectual property, acquired trade names and customer relationships had no future economic benefits as a result of market conditions combined with changes to the Corporation's production process, branding practices and customer base. Accordingly, the Corporation recognized impairment charges that reduced the net carrying amount of these assets to \$nil.

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Corporation reviews the carrying value of its non-financial assets at each reporting period for indicators of impairment. During the year ended December 31, 2016 the Corporation determined that low commodity prices and the prolonged down-cycle in drilling and completions activity levels was an indicator of impairment and performed an assessment of the carrying values of non-financial assets. The recoverable amounts of non-financial assets were estimated based on their value in use, determined by discounting estimated future cash flows expected to be generated by the assets or CGU to which it was assigned. Due to the nature of the prolonged global market down-cycle, all identified CGUs, were assessed as part of the impairment assessment.

Key assumptions used in the estimation of value in use included the after-tax discount rate of 13% and management expectation of future outcomes and market conditions, including forecasted North American and international rig and well counts. Based on industry forecasts, average projected annual revenue growth over the next five years was estimated at 10%. No terminal value growth rate was used due to the finite lives of the underlying assets of the CGU. Discount rates were derived from the Corporation's estimated weighted average cost of capital, adjusted for risk factors specific to the CGUs.

The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are after-tax and reflect specific risks relating to the CGU. The process for determining fair value is subjective and requires management to exercise a significant amount of judgment in determining future growth rates, discount rates and tax implications.

Upon completion of the impairment assessment, it was determined that no impairment, incremental to that described in notes 7 and 8, was to be recognized on the Corporation's non-financial assets. No significant changes in any of the key assumptions would have resulted in an impairment charge in any CGU.

10. TRADE AND OTHER PAYABLES

	Note	2016	2015
		\$	\$
Trade payables		2,272	3,370
Accrued liabilities and other payables		1,111	2,911
Cash settled share-based compensation	15(b)	272	251
		3,655	6,532

11. PROVISIONS

	Warranty	Legal	Restructuring	Facility remediation	Total
	\$	\$	\$	\$	\$
Balances at January 1, 2015	1,611	150	-	2,360	4,121
Provisions made during the year	402	12	1,277	-	1,691
Provisions utilized during the year	(1,177)	(12)	(1,277)	-	(2,466)
Foreign exchange	157	-	-	-	157
Balances at December 31, 2015	993	150	-	2,360	3,503
Provisions made during the year	276	1,075	9,557	89	10,997
Provisions utilized during the year	(756)	(40)	(6,353)	(1,390)	(8,539)
Foreign exchange	(20)	-	36	-	16
Balances at December 31, 2016	493	1,185	3,240	1,059	5,977
Expected to be utilized within one year	493	1,185	669	-	2,347
Expected to be utilized thereafter	-	-	2,571	1,059	3,630

a) WARRANTY

The warranty provision relates to the expected cost of meeting warranty obligations. Judgment related to the provisions is based on historical data and is an estimate of warranty required for products sold on or before the reporting date.

b) LEGAL

In the normal course of business, the Corporation may become subject to litigation; losses, if any, may be covered by the Corporation's insurance. The legal provision is based on management's best estimate of the amount and timing of potential settlements to be paid by the Corporation. Judgment related to the provision is based on uncertainty regarding the full extent of the required costs of potential settlements.

c) RESTRUCTURING

As a direct response to the prolonged market down-cycle for oilfield equipment and services, the Corporation initiated the Board of Directors' approved company-wide restructuring plan, the "Restructuring Plan" or "Plan", during the second quarter of 2016. The Restructuring Plan was substantially completed in the third quarter of 2016.

The Plan included:

- the consolidation of McCoy Global's hydraulic power tong product line to Edmonton, Canada, resulting in the closure of its hydraulic power tong production facility in Broussard, USA;
- the closure of the Corporation's warehouse and service facility in Houston, USA;
- the relocation and downsizing of operations in Aberdeen, UK;
- the relocation and downsizing of operations in Singapore, Republic of Singapore; and
- further significant reductions in both operational, functional and management positions

Restructuring charges have been included on the consolidated statement of loss and comprehensive loss as restructuring charges. At December 31, 2016, accrued restructuring costs are included in provisions on the consolidated statement of financial position. Non-current restructuring provisions were discounted using a pre-tax risk free discount rate of 0.5%. The table below summarizes restructuring charges recorded on the consolidated statement of loss and comprehensive loss for the year ended December 31, 2016 and restructuring provisions included in the consolidated statement of financial position at December 31, 2016:

	Onerous lease contracts	Inventory write-downs	Severance pay and benefits	Other direct costs	Restructuring provisions
	\$	\$	\$	\$	\$
Balance at January 1, 2015	-	-	1,277	-	1,277
Costs recognized	-	-	(1,277)	-	(1,277)
Payments and allowances	-	-	-	-	-
Balance at December 31, 2015	-	-	-	-	-
Costs recognized	3,991	3,977	1,114	475	9,557
Payments and allowances	(787)	(3,977)	(1,114)	(475)	(6,353)
Foreign exchange	36	-	-	-	36
Balance at December 31, 2016	3,240	-	-	-	3,240

Provisions for onerous lease contracts include estimated future facility costs for facilities under lease for which the Corporation will receive nominal future economic benefit as a result of the Restructuring Plan. The provision includes facilities lease payments and estimated direct costs to maintain the facilities over the remaining lease term.

Inventory write-downs include inventory impacted as a direct result of the Restructuring Plan. Identified inventory is recorded at the lower of cost and net realizable value and is in excess of the Corporation's inventory provision policy. Inventory write-downs have been included within the obsolescence provision in inventory on the consolidated statement of financial position.

Severance pay and benefits includes committed severance payments for workforce reductions as a result of the Restructuring Plan.

Other direct costs include freight, legal and other expenses required to complete the Restructuring Plan and are recorded as restructuring charges as incurred.

Judgment related to the provision is based on uncertainties regarding the amount and timing of estimated cash flows related to restructuring provisions.

d) FACILITY REMEDIATION

The Corporation leases premises which are required to be returned to the landlord at the end of the lease in accordance with the terms of the lease agreement, including remediation of any deficiencies incurred as a result of carrying out business activities. In addition, as part of the business divestiture, the Corporation has indemnified the purchaser with respect to a leased premise associated with the divestiture. The facility remediation provision is based on management's estimate of the expected costs of restoring its locations or former locations to a condition that is in accordance with lease terms. When available, costs are estimated based on management's assessment of third party quotations to complete the required remediation efforts. If third party quotations are not available, management has used the best information available to assess the future costs to be incurred by the Corporation. Judgment related to these future costs is based on uncertainty regarding the full extent of the required costs to be completed.

12. BORROWINGS

a) OPERATING LINE OF CREDIT

During the year ended December 31, 2016, the Corporation recognized \$116 in finance charges, net (2015 – \$604) predominantly relating to credit facility standby fees.

Subsequent to December 31, 2016, the Corporation cancelled the operating line of credit existing at December 31, 2016 and entered into two new credit facilities, a CAD \$2.0 million operating line repayable on demand and a USD \$3.8 million non-revolving term facility with payments of USD \$190 per quarter and a term of one year. As required under the terms of the facility agreement, CAD \$2.5 million is to be held under the Creditor's authority as security. The Corporation has access to the funds held under the Creditor's authority upon written notice, unless a drawdown is outstanding against the facility. The facility is further secured by the Corporation's Canadian assets and the Corporation must maintain a minimum cash balance on hand with the Creditor. Failing to meet the minimum cash on hand requirement triggers an obligation to provide an additional CAD \$2.5 million to be held under the Creditor's authority, up to a maximum of \$5.0 million.

The availability of the operating line is subject to a borrowing base calculation, which is based on working capital of the Corporation's Canadian operations. Under the terms of the operating line of credit, funds may be advanced in either Canadian or US currency and will bear interest at the Creditor's Canadian Prime Rate or US Base Rate plus a margin of 2.50% or LIBOR plus a margin of 4.00%. Under the terms of the non-revolving facility, funds are advanced in US currency and will bear interest at the US Base Rate plus a margin of 2.50% or LIBOR plus a margin of 4.00%. The Corporation is subject to certain conditions under the operating line of credit agreement with its lenders. These conditions are measured on a quarterly basis.

b) LETTER OF CREDIT

As at December 31, 2016, the Corporation has committed \$62 (2015 – \$56) through the issuance of letters of credit.

13. DEFERRED TAXES

a) RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

The income tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	2016			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	\$	\$	\$	\$	\$	\$
Intangible assets	5	-	5	2,403	(1,437)	966
Accrued liabilities	-	-	-	893	-	893
Inventories	330	-	330	597	-	597
Provisions	86	-	86	360	-	360
Other	-	-	-	205	-	205
PP&E	-	(292)	(292)	43	(2,732)	(2,689)
Deferred tax assets (liabilities)	421	(292)	129	4,501	(4,169)	332
Set off of tax	(292)	292	-	(3,865)	3,865	-
Net deferred tax assets (liabilities)	129	-	129	636	(304)	332

With respect to deferred tax assets and liabilities presented above, \$416 of the deferred tax assets (2015 – \$1,850), and \$nil (2015 – \$411) of the deferred tax liabilities are expected to reverse in 2017.

b) UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets have not been recognized in respect of the following items:

	2016	2015
	\$	\$
Deductible temporary differences	3,387	-
Tax losses	6,286	2,376
	9,673	2,376

Based on management's current estimates of future taxable earnings, the recoverability of these items is indeterminable, as such deferred tax assets have not been recognized in respect of these amounts.

c) TAX LOSSES CARRIED FORWARD

Unrecognized deferred tax assets derived from tax losses expire as follows:

	2016		2015	
	Gross amount	Tax effect	Gross amount	Tax effect
	\$			\$
2036	8,657	2,683	-	-
Indefinite	16,738	3,603	12,014	2,376
	25,395	6,286	12,014	2,376

Deferred tax assets have not been recognized in respect of capital losses of \$771 (2015 - \$101). It is not probable that future taxable capital gains will be available against which the Corporation can utilize the benefits of these losses. These losses do not expire.

14. SHAREHOLDERS' EQUITY
a) SHARE CAPITAL
AUTHORIZED

- (i) Unlimited number of common, voting shares
- (ii) Unlimited number of preferred, non-voting shares

b) DIVIDENDS

Dividend declared	Dividend paid	Total dividend	Amount per common share
		\$	\$
May 15, 2015	June 11, 2015	1,385	0.05
March 11, 2015	April 13, 2015	1,385	0.05

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

15. SHARE-BASED COMPENSATION

a) EQUITY SETTLED SHARE-BASED COMPENSATION

The Corporation's share option plan for employees is administered by the Human Resources and Compensation Committee, which is a subcommittee of the Board of Directors. The Human Resources and Compensation Committee designates eligible participants to be included under the plan and designates the number of options and share price of the options, subject to applicable securities laws and stock exchange regulations.

The aggregate number of common shares issuable under the plan can be no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis. In addition, no more than 5% of outstanding shares may be reserved for options granted to any one person and no more than 10% of outstanding shares may be reserved for options granted to insiders. On March 11, 2015, the Board of Directors amended the share option plan to extend the maximum term of options granted under the plan from five to ten years and extend the vesting period of option grants from three to five years for options granted on or after March 11, 2015. Options granted prior to March 11, 2015 vest over three years with a maximum term of five years. The options vest evenly over the vesting period. The exercise price of options is determined by the Board of Directors, but cannot be lower than the market price of shares on the last trading day preceding the grant date.

The following reflects activity under the employee share option plan:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding, as at January 1	1,680,003	4.90	1,078,337	5.74
Granted	860,000	1.88	695,000	3.65
Forfeited	(251,001)	3.48	(33,334)	6.70
Expired	(164,001)	4.58	(50,000)	4.56
Exercised	-	-	(10,000)	3.49
Outstanding, December 31	2,125,001	3.87	1,680,003	4.90
Exercisable, December 31	809,999	5.65	596,662	5.57

Options with the following exercise price ranges were outstanding as at December 31:

	2016		2015	
Exercise price range	Options outstanding	Weighted average remaining contractual life	Options outstanding	Weighted average remaining contractual life
	#	years	#	years
< \$2	760,000	9.22	-	-
\$2 to \$4	665,001	7.20	845,003	7.81
\$4 to \$6	245,000	2.75	330,000	3.61
> \$6	455,000	1.94	505,000	2.95
	2,125,001	6.28	1,680,003	5.52

The following weighted average assumptions were used in the Black-Scholes calculations for share options granted during the years ended December 31:

	2016	2015
Share price	\$1.88	\$3.65
Exercise price	\$1.88	\$3.65
Expected volatility	48%	58%
Risk-free interest rate	1%	1%
Annual dividend rate	-	6%
Expected life of options in years	7.0 years	7.0 years

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be the actual outcome.

The weighted average fair value of share options granted during the year, calculated under the Black Scholes pricing model, was \$0.52 per share option (2015 – \$1.23 per share option) and the weighted average share price of options exercised during the year was \$nil (2015 – \$4.97).

b) CASH SETTLED SHARE-BASED COMPENSATION

The Corporation has a deferred share unit (“DSU”) plan for Directors of the Corporation who are designated as participants by the Human Resources and Compensation Committee. The DSU plan has two components: an “appointment grant” and a “continuous grant.” The appointment grant is provided to each newly appointed Director. The appointment grant fully vests on the third anniversary of the grant date. The continuous grant provides for an annual issue of DSUs to eligible Directors. One-third of the continuous grant vests annually on the anniversary of the grant date. The deferred share units can only be exercised on exiting from the Board of Directors.

On exiting from the Board of Directors, the deferred share units are redeemed for cash based on the market price of the shares at the time of exit. The liability relating to the units accumulated under this plan have been included in trade and other payables on the consolidated statements of financial position as disclosed in note 10.

	2016	2015
	#	#
Outstanding, as at January 1	152,995	168,862
Granted	25,002	32,451
Forfeited	-	(9,819)
Exercised	-	(38,499)
Outstanding, as at December 31	177,997	152,995
Vested, as at December 31	138,457	112,225

c) SHARE-BASED COMPENSATION EXPENSE

	2016	2015
	\$	\$
Equity settled share-based compensation	311	543
Cash settled share-based compensation	21	(150)
	332	393

This compensation expense has been included in general and administration.

16. REVENUE

	2016	2015
	\$	\$
Sale of products	24,540	77,468
Rendering of services	1,992	3,842
Rental	467	466
	26,999	81,776

17. EXPENSES BY NATURE

	2016	2015
	\$	\$
Wages and salaries expense	18,473	31,914
Depreciation of property, plant and equipment	3,465	4,438
Amortization of intangible assets	1,226	3,173
Operating lease expense, net of sub lease recoveries	1,483	2,353
Loss (gain) on foreign exchange	1,293	(2,265)

18. INCOME TAX (RECOVERY) EXPENSE

a) RECONCILIATION OF INCOME TAX (RECOVERY) EXPENSE

Income tax (recovery) expense varies from the amounts that would be computed by applying the domestic statutory rate of 27% (2015 – 26%) to loss before income taxes for the following reasons:

	2016	2015
	\$	\$
Loss before income taxes	(39,661)	(11,038)
Computed income tax recovery	(10,708)	(2,870)
Tax effects of:		
Jurisdictional tax rate differences	(710)	1,275
Non-deductible expenses	118	172
Recognition of previously unrecognized deferred tax assets	-	(895)
Tax losses for which no deferred tax asset was recognized	7,989	2,324
Other items	(424)	(67)
Income tax recovery	(3,735)	(61)

b) INCOME TAX EXPENSE ON EARNINGS

	2016	2015
	\$	\$
Current tax recovery	(3,925)	(668)
Deferred tax recovery:		
Origination and reversal of temporary differences	(7,799)	(822)
Recognition of previously unrecognized deferred tax assets	-	(895)
Tax losses for which no deferred tax asset was recognized	7,989	2,324
Total deferred tax expense	190	607
Income tax recovery	(3,735)	(61)

19. LOSS PER SHARE

	2016			2015		
	Loss	Weighted average shares	Per share amount	Loss	Weighted average shares	Per share amount
	\$	#	\$	\$	#	\$
Basic loss per share						
Loss available to common shareholders	(35,926)	27,704,239	(1.30)	(10,977)	27,699,499	(0.40)
Diluted earnings per share						
Loss available to common shareholders	(35,926)	27,704,239	(1.30)	(10,977)	27,699,499	(0.40)

The Corporation has excluded 2,125,001 share options from the computation of diluted earnings per share (2015 - 1,680,003 share options) because they are anti-dilutive for the period presented.

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(i) NON-DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, trade and other receivables, trade and other payables and legal provisions approximate their carrying value due to their short-term nature. The carrying value of onerous lease provisions has been discounted to reduce the provision to fair value.

(ii) DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2016, the Corporation had \$nil (2015 - \$nil) financial instruments recorded as a fair value liability in the statements of financial position.

b) FINANCIAL RISK MANAGEMENT

The Corporation's activities are exposed to a variety of financial risks of varying degrees of significance, which could affect the Corporation's ability to achieve strategic objectives. Overall, risk management programs focus on the unpredictability of financial and economic markets and seek to minimize potential adverse effects on financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance. The principal financial risks to which the Corporation is exposed are described below:

(i) MARKET RISK

Market risk is the risk changes in market prices, such as foreign exchange rates and interest rates, will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. The Corporation may use derivatives to manage certain market risks.

- **Foreign currency risk**

The Corporation is exposed to foreign currency risk to the extent that there is a mismatch between the currencies in which revenues, purchases and monetary assets and liabilities are denominated and the respective functional currency of the Corporation's subsidiaries. Foreign currency risk is primarily with the US dollar. The Corporation may use forward exchange contracts to manage foreign currency risk.

The Corporation recognized a foreign currency exchange loss of \$1,293 in other losses (gains), net (2015 – gain of \$2,265). Based on the Corporation's US dollar denominated monetary assets and liabilities at December 31, 2016, the Corporation estimates that a ten cent change in the value of the US dollar would increase or decrease net earnings, net of tax, by \$478 (2015 – \$1,424).

- **Interest rate risk**

Interest rate risk is the risk the value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. In 2016 and 2015, the Corporation was primarily exposed to interest rate risk on cash and cash equivalents. The Corporation estimates that a change of 100 basis points in the interest rate as at December 31, 2016 would have increased or decreased net earnings, net of tax, for the year ended December 31, 2016 by \$164 (2015 – \$204), primarily arising from interest income earned on cash and cash equivalents.

(ii) CREDIT RISK

Credit risk is the risk one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Corporation's credit risk exposure is primarily through its cash and cash equivalents, trade receivables and amounts held in escrow on business divestitures.

The credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are held primarily with Canadian chartered banks and Schedule I US financial institutions.

The credit risk associated with amounts held in escrow on business divestitures is minimized as the funds are held in trust with third party legal counsel, in Canadian chartered banks.

Trade receivables include balances due from customers primarily operating in the oil and gas industry. The Corporation manages credit risk by assessing the creditworthiness of its customers before providing products or services and monitoring customer credit and balances on an ongoing basis. In some instances, the Corporation will take additional measures to reduce credit risk including obtaining letters of credit or prepayments from customers. Write-downs for trade and other receivables are recorded each period as required and updated based on management's judgment.

As at December 31, 2016, the Corporation had two customers that accounted for \$1,190 (23%) of total trade receivables (2015 – one customer accounting for \$1,111, 13%).

As of December 31, trade receivables were classified as follows:

	2016	2015
	\$	\$
Fully performing	2,348	5,106
Past due but not impaired	2,159	3,395
Indications of impairment	919	229
Trade receivables	5,426	8,730

The credit quality of fully performing receivables is determined based on credit evaluations and management's past experience with the customers. Past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. Management reviews trade receivable balances periodically for indications of possible impairment. Trade receivables with indications of possible impairment primarily relate to receivables aged greater than 180 days. Management has determined on a customer by customer basis that impairment provisions of \$919 (2015 – \$229) are sufficient to cover credit risk.

The aging analysis of trade receivables is as follows:

As at December 31	2016	2015
	\$	\$
0 to 30 days	1,473	2,483
31 to 60 days	875	2,623
61 to 120 days	1,425	2,874
121 to 180 days	734	229
Over 180 days	919	521
Trade receivables	5,426	8,730
Provisions for impairment	(919)	(229)
Trade receivables, net of impairment	4,507	8,501
Other receivables	370	602
Total trade and other receivables	4,877	9,103

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

For the years ended	2016	2015
	\$	\$
Provision for impairment, as at January 1	(229)	(287)
Impairment loss recognized	(773)	(111)
Amounts written off	88	197
Foreign exchange	(5)	(28)
Provision for impairment, as at December 31	(919)	(229)

(iii) LIQUIDITY RISK

Liquidity risk is the risk the Corporation will not be able to meet its obligations with financial liabilities as they come due. The Corporation maintains sufficient cash and cash equivalents to meet financial obligations. Based on remaining contractual maturities, the undiscounted cash flows for the Corporation's financial liabilities, including interest payments, is as follows:

	Due in less than one year	Due between one and five years	Due later than five years	Total
	\$	\$	\$	\$
Trade and other payables	3,655	-	-	3,655
Legal provisions	1,185	-	-	1,185
Onerous lease provisions	669	2,226	345	3,240
Undiscounted cash flows for financial liabilities	5,509	2,226	345	8,080
Purchase commitments for inventory and operating supplies	477	-	-	477
	5,986	2,226	345	8,557

The Corporation also has commitments under operating leases for premises and equipment that mature in over one year as described in note 24.

c) CAPITAL MANAGEMENT

The Corporation's objectives when managing its capital are to safeguard assets and continue as a going concern while, at the same time, maximizing the growth of the business and return to shareholders. The Corporation views its capital as the combination of borrowings as well as shareholders' equity as follows:

	2016	2015
	\$	\$
Borrowings	-	-
Shareholders' equity	59,805	97,469
Total capital	59,805	97,469

The Corporation sets the amount of capital in proportion to risk and manages and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue or repay borrowings, issue or repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances.

Subsequent to year-end, the Corporation cancelled the existing operating line of credit and entered into a new credit facility (note 12(a)).

The Board of Directors reviews and approves any material transactions out of the ordinary course of business including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

21. RELATED PARTY TRANSACTIONS

a) DIVESTITURE OF COATINGS & HYDRAULICS DIVISION

On September 15, 2014, the Corporation divested the Coating & Hydraulics division. A member of the Corporation's Board of Directors is the Chairman of, and holds an equity interest in, the purchaser of the Coatings & Hydraulics division. To facilitate the sale and minimize any potential conflicts of interest, the Corporation engaged a third party brokerage firm to solicit offers within the marketplace, manage the sales process and assist in negotiating the definitive agreements.

During the year, the Corporation reached an agreement with the purchaser of the Coatings & Hydraulics division regarding closing adjustments resulting in cash proceeds of \$205 and a gain of \$nil.

The Corporation has entered into agreements indemnifying the purchaser with respect to certain leased premises associated with the Coatings & Hydraulics division as described in note 11(d).

b) KEY MANAGEMENT PERSONNEL

Key management personnel include the Directors and senior corporate officers of the Corporation who are primarily responsible for planning, directing and controlling the Corporation's business activities.

Compensation awarded to key management personnel for employee services for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
	\$	\$
Salaries and other short-term employee benefits	1,907	2,311
Share-based compensation	262	334
Termination benefit	502	-
	2,671	2,645

c) OPERATING LEASE EXPENSE

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

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

22. SEGMENT INFORMATION
GEOGRAPHIC INFORMATION

The Corporation's operations, as described in note 1, are viewed as a single operating segment by the chief operating decision maker for the purpose of resource allocation and assessing performance.

	2016		2015	
	Revenue	PP&E & intangible assets	Revenue	PP&E & intangible assets
	\$	\$	\$	\$
United States & Latin America	9,656	2,666	34,159	8,931
Middle East & Africa	7,629	222	12,825	291
Europe	5,957	481	22,257	1,464
Asia Pacific	2,121	1,374	6,831	1,096
Canada & Russia	1,636	3,809	5,704	10,519
	26,999	8,552	81,776	22,301

Revenue is attributed to a geographical region based on the location of the customer invoiced, which may not necessarily reflect the product's final destination.

During the year ended December 31, 2016, no individual customer accounted for greater than 10% of total revenue (2015 – one customer accounted for 12%).

23. CHANGES IN WORKING CAPITAL BALANCES

	2016	2015
Cash (used in) operating activities due to changes in non-cash working capital balances:	\$	\$
Trade and other receivables	3,976	15,899
Inventories	14,336	3,864
Other current assets	1,998	(224)
Trade and other payables	(2,729)	(9,526)
Customer deposits	(817)	(5,171)
Provisions, excluding restructuring	(788)	(821)
	15,976	4,021

24. COMMITMENTS

The Corporation has committed to payments under operating leases for premises and equipment and has also sublet certain premises that are under operating lease. The future aggregate minimum lease payments under non-cancellable operating leases, excluding onerous lease contracts, are as follows:

	Minimum lease payment, excluding onerous lease contracts	Sublease payments to be received	Net obligation
	\$	\$	\$
Less than one year	3,011	(989)	2,022
Between one and five years	4,064	(266)	3,798
Later than five years	315	-	315
	7,390	(1,255)	6,135

As at December 31, 2016, the Corporation has commitments to purchase inventory and operating supplies of \$477 (2015 - \$795). Payments for these commitments are expected to be made in 2017.

25. SUBSEQUENT EVENT

On January 3, 2017, the Corporation announced the acquisition of the assets of 3PS, Inc. ("3PS"). 3PS specializes in sensors, systems and services for heavy industrial applications, including Torque and Tensions Sub technology. The total consideration for the asset purchase, which includes the real estate of 3PS, was \$8,118, subject to any closing adjustments. The initial accounting for this business combination is incomplete at the time the financial statements were authorized for issue.



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