MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2022

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EXPLANATORY NOTES

The following Management's Discussion and Analysis of Financial Results ("MD&A"), dated March 9, 2023, 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, 2022 and 2021. The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in the following MD&A are in Canadian dollars unless otherwise stated. References to "McCoy," "McCoy Global," "the Corporation," "we," "us" or "our" mean McCoy Global Inc. and its subsidiaries, unless the context otherwise requires. Additional information relating to McCoy Global, including periodic quarterly and annual reports and Annual Information Forms ("AIF"), filed with Canadian securities regulatory authorities, is available on SEDAR at sedar.com and our website at mccoyglobal.com.

FORWARD-LOOKING INFORMATION AND STATEMENTS

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

Forward-looking statements relating to McCoy Global's:

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

Forward-looking statements respecting:

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

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

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

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

Readers are cautioned that the foregoing list is not exhaustive.

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

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

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

DESCRIPTION OF NON-GAAP MEASURES

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

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

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

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

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

Net cash is a non-GAAP measure defined as cash and cash equivalents,

- plus: restricted cash;
- less: borrowings.

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

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

STRATEGIC ACHIEVEMENTS

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

Earnings Performance & Cashflow Generation

McCoy reported revenue for the three months ended December 31, 2022 of $18.3 million, a 93% increase from the comparative period (Q4 2021 - $9.5 million).

Adjusted EBITDA for the three months ended December 31, 2022 was $3.7 million or 20% of revenue, more than double the comparative period (Q4 2021 – adjusted EBITDA of $1.3 million, or 13% of revenue). This demonstrates the solid operating leverage McCoy expects to continue to deliver with growing customer demand in the year ahead. Adjusted EBITDA performance for the fourth quarter of 2022 was impacted by increased revenues and production throughput, offset to a lesser degree by investments in additional headcount and wage adjustments to support the Corporation's revenue growth. Increasing material costs on production inputs also impacted profitability to a lesser extent.

Adjusted EBITDA performance supported McCoy's $4.6 million of cashflow generated from operating activities during the fourth quarter of 2022 (Q4 2021 - $1.6 million). McCoy also generated $8.8 million of net proceeds from the sale-leaseback of the Corporation's facility in Cedar Park, Texas in Q4, 2022, further improving the Corporation's net cash position.

McCoy's full-year 2022 adjusted EBITDA performance of $8.5 million represents the highest figure achieved by the Corporation since 2014.

McCoy reported earnings of $7.3 million for the fourth quarter of 2022, also more than double the comparative period (Q4 2021 - $2.5 million). Fourth quarter earnings benefitted from a $3.9 million gain on property, plant and equipment recognized in conjunction with the sale-leaseback of McCoy's facility in Cedar Park, Texas. In 2021, fourth quarter earnings included $2.4 million attributable to amounts forgiven under the US Paycheck Protection Program.

Subsequent to December 31, 2022, McCoy fully repaid its senior secured credit facility of US$3.4 million bearing interest at US Prime + 4.95%.

Having reported a net cash balance of $17.8 million as at December 31, 2022 (December 31, 2021 - $7.8 million), with additional funds available under undrawn credit facilities, McCoy's statement of financial position is well positioned to support revenue growth in the year ahead.

Advancing our Digital Technology Roadmap

To support a prosperous future regardless of market conditions, we committed to prudent investment in our "Digital Technology Roadmap" initiative. Since January 1, 2022, we achieved key development milestones on McCoy's Smart Tubular Running System (smartTR™):

- Reported the first two (2) commercial sales for McCoy's FMS, the hydraulic rotary flush mounted spider that when fully connected (smartFMS™), handles casing while providing information on the state of the tool to the driller's display in real-time as well as the ability to integrate with the smartCRT™. We performed tool demonstrations with leading US Tubular Running Services companies and received purchase orders for an additional five (5) tools scheduled for delivery in 2023. The McCoy FMS offers customers a highly efficient and safe solution by automating manual rig procedures and keeping personnel out of dangerous red zone areas prone to dropped objects and pinch points. Despite strong customer interest, we experienced supply chain challenges related to the certain components of the tool which hampered marketing efforts and rapid customer adoption of the tool in late 2022. With these challenges now behind us in 2023, we expect to accelerate these efforts and expedite adoption of the tool as the year progresses.

- Reported the first commercial sale for McCoy's smartCRT™, with a second sale reported in January of 2023.

McCoy's smartCRT™ is an intelligent, connected enhancement of our conventional casing running tool that offers superior safety, efficiency and simplified operating procedure, with real-time data collection and analysis capabilities. This technology effectively mitigates the risk of human error, while providing actionable insights that optimize future performance.

- Completed further software enhancements for our Virtual Thread-Rep™ technology (VTR) for casing running applications using hydraulic power tongs and Casing Running Tools. These enhancements enable the torque turn software to autonomously evaluate and confirm premium connection make-up. We continue to experience strong customer order intake for our McCoy Torque Turn system (MTT) as a result of the enhanced Virtual Thread-Rep offering, which will translate to new product revenues in 2023 and beyond.

Order Intake

McCoy reported $14.9 million of order intake for the three months ended December 31, 2022, a 64% increase over the $9.1 million of order intake reported in the fourth quarter of 2021. As a result of a large customer order totaling $11.3 million received in Q3 2022, order intake for the fourth quarter decreased sequentially from the $23.5 million of order intake reported in the third quarter of 2022.

Order intake has been led by strong demand for our CRT product line, largely in Middle East and North Africa markets. We continue to see strong growth in our market share and installed base for this product line as a result of demonstrated tool performance and quality, in addition to our unmatched customer service and support.

OUTLOOK AND FORWARD-LOOKING INFORMATION

As at December 31, 2022, McCoy's backlog totaled $23.6 million (US$17.5 million), which will support strong revenue and earnings performance for the first half of 2023. Looking ahead, increased production throughput, as well as diligent supply chain management and discipline around overhead expenditures, are expected to further demonstrate the solid operating leverage we plan to deliver as orders and revenues grow.

Despite current economic uncertainty and threats of a looming recession, over the medium term, global oil & gas market fundamentals continue to be robust, particularly in international regions. Increased drilling activity levels, paired with new international market entrants will serve to further enhance commercial opportunities not only for our legacy capital equipment, but for our "smart" product offerings. With respect to international markets, we continue to see a growing trend of drilling contractors, new local and regional market entrants, and in some cases national oil companies, entering the Tubular Running Services (TRS) space, taking market share from large multinational service companies. This trend benefits McCoy considerably as it creates additional capital equipment demand over and above market growth from increased drilling activity alone, as these new entrants require a significant investment in capital equipment to take on tubular running service contracts. McCoy is aptly positioned to respond to this demand with its strong brand of product quality and responsive, local customer support. Among its competitors, McCoy offers the broadest portfolio of TRS equipment and now, offer market leading technologies that provide superior safety, efficiency and simplified operating procedures. One such example of our recent success in this area is the $11.3 million of orders received for Hydraulic Power Tongs, smartCRT™s and MTT systems from a strategic new market entrant based in the Kingdom of Saudi Arabia in 2022. Orders such as these not only provide opportunity for future aftermarket revenues through a larger installed base, but also offer a valuable platform to showcase the advanced technology and innovation that sets McCoy apart in the most prominent markets across the Eastern Hemisphere.

Turning to the North America land market, over the medium term, our outlook for revenue growth on our legacy capital product lines in this region is cautious. We expect drilling activity to improve modestly, however there remains a significant oversupply of capital equipment in this region. We do however, anticipate meaningful opportunities for our new smart technology offerings with the continued tightening labour market faced by many of our customers. Our smart technologies offer solutions to automate many of the manual and repetitive processes involved in casing make-up, providing increased safety, wellbore integrity, and efficiency in a highly competitive marketplace. We are confident that this will serve to accelerate adoption of our new technologies.

As we enter 2023, we continue to focus on our key strategic initiatives to deliver value to all of our stakeholders:

- Accelerating market adoption of new and recently developed 'smart' portfolio products;
- Taking advantage of the current market trajectory by focusing on revenue generation from key strategic customers;
- Continue to seek acquisition opportunities where the strategic and financial returns make sense; and
- Generating cashflow from operations through fiscal discipline and continued working capital efficiency.

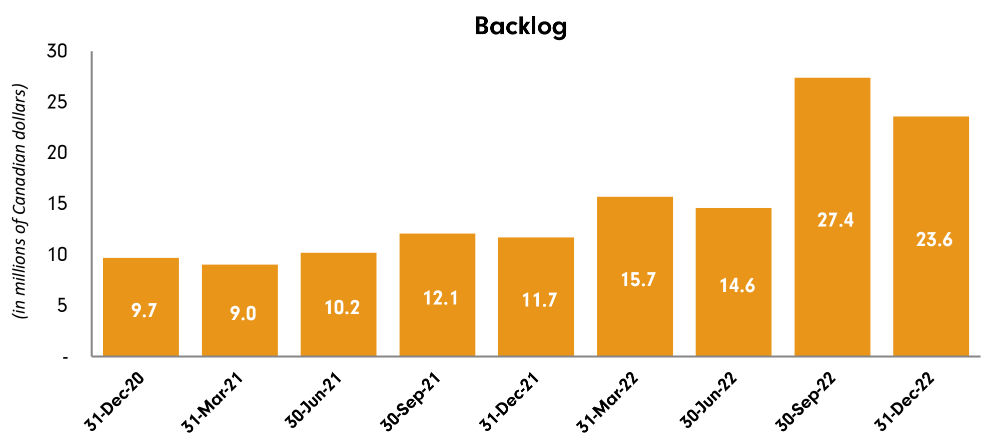
We believe this strategy, together with our committed and agile team, McCoy's global brand recognition, intimate customer knowledge and global footprint will further advance McCoy's competitive position and generate strong returns on invested capital.

Backlog

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

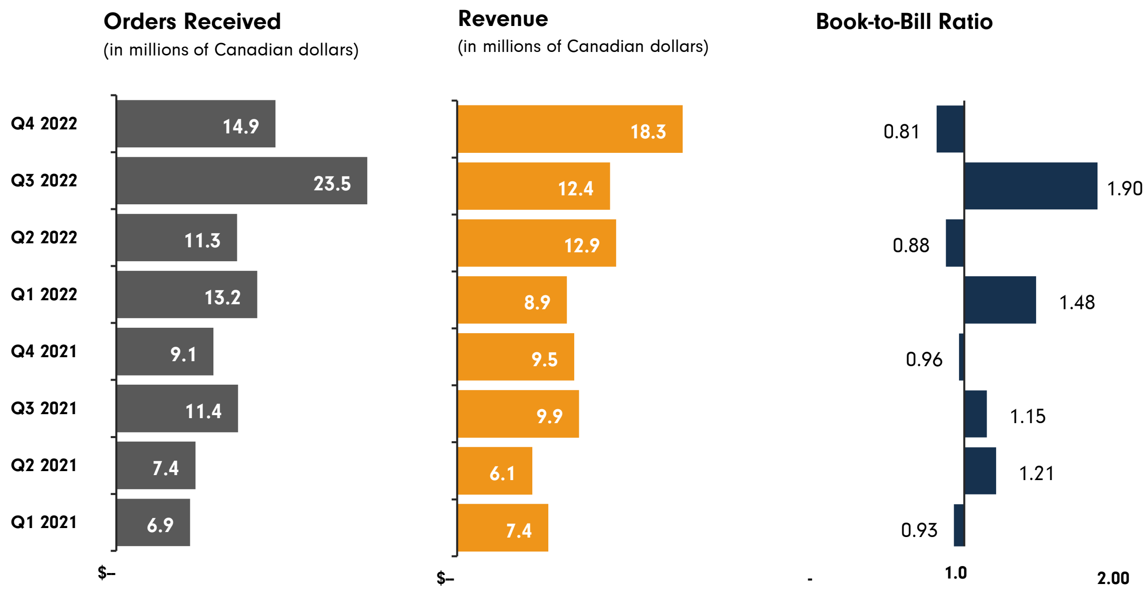
The Corporation defines backlog as orders that have a high certainty of being delivered and is measured on the basis of a firm customer commitment, such as the receipt of a purchase order. Customers may default on, or cancel such commitments, however may be secured by a deposit and/or require reimbursement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

McCoy Global's backlog as at December 31, 2022 totaled $23.6 million (US$17.5 million), a decrease of $3.8 million or 14% from backlog of $27.4 million (US$20.0 million) as at September 30, 2022. Compared to December 31, 2021 backlog increased $11.9 million, or 102%, from $11.7 million (US$9.2 million).



Book-to-Bill Ratio

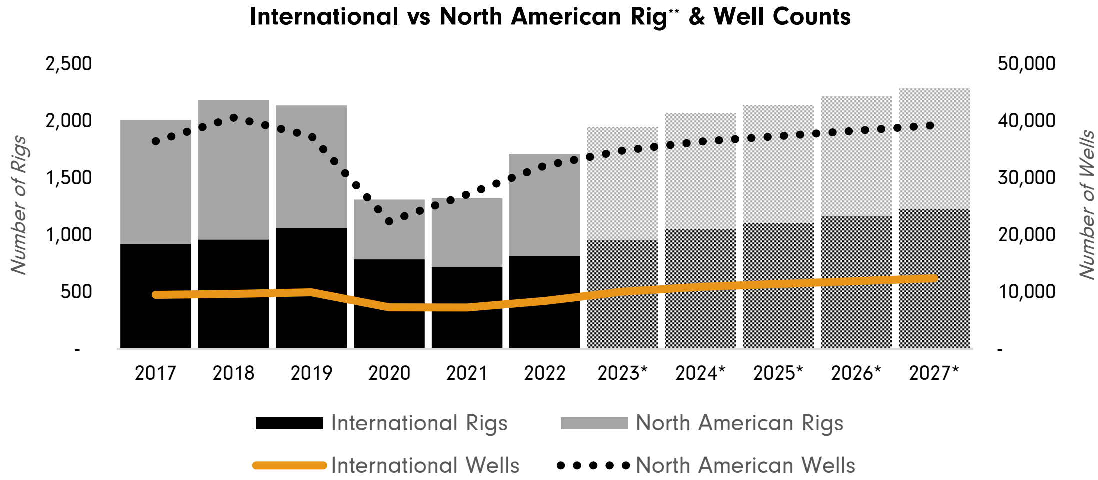
The book-to-bill ratio is a measure of the amount of net sales orders received to revenues recognized. The ratio is an indicator of customer demand and sales order processing times. The book-to-bill ratio is not a GAAP measure and therefore the definition and calculation of the ratio will vary among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



MARKET CONDITIONS

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

A summary of historical and forecasted rig and well counts, which includes both land and offshore, obtained from Spears & Associates Drilling and Production Outlook, December 2022, is as follows:



**Forecasted*
***Cumulative*

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

BUSINESS VISION

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

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

The Corporation is engaged in the following:

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

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

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

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

McCoy is engaged with three key customer groups:

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

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

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

McCoy's digital strategy will meet this demand. Our cloud platform is the nucleus of the Corporation's digital strategy and serves as a repository for real-time, complete well integrity data.

Set out below are McCoy Global's principal operations:

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

FINANCIAL RESULTS

SUMMARY OF CONSOLIDATED FOURTH QUARTER RESULTS

For the three months ended December 31 ($000 except per share amounts)	2022	2021
Revenue	**18,264**	9,451
Net earnings	**7,264**	2,464
Per common share – basic	**0.26**	0.09
Per common share – diluted	**0.25**	0.08
Adjusted EBITDA	**3,682**	1,213
Per common share – basic	**0.13**	0.04
Per common share – diluted	**0.13**	0.04

EBITDA and adjusted EBITDA are calculated as follows:

For the three months ended December 31 ($000)	2022	2021
Net earnings	**7,264**	2,464
Depreciation of property, plant and equipment	**407**	659
Amortization of intangible assets	**407**	199
Income tax expense	**(974)**	-
Finance charges, net	**215**	182
EBITDA	**7,319**	3,504
Provisions for excess and obsolete inventory	**(5)**	46
Other gains, net	**(3,810)**	(2,450)
Share-based compensation	**177**	113
Adjusted EBITDA	**3,681**	1,213

REVENUE

($000 except percentages)	2022	2021	Change	% Change
	For the three months ended December 31			
Revenue	**18,264**	9,451	8,813	93%

Revenue for the three months ended December 31, 2022 nearly doubled in comparison to 2021, driven by strong customer demand for capital equipment, especially in the Middle East Region. Revenues for the quarter included shipments of Hydraulic Power Tongs, smartCRT™, McCoy Torque Turn systems and related parts and accessories for a large customer order announced earlier this year destined for the Kingdom of Saudi Arabia.

GROSS PROFIT

($000 except percentages)	2022	2021	Change	% Change
	For the three months ended December 31			
Gross profit	**5,845**	2,442	3,403	139%
Gross profit as a % of revenue	***32%***	*26%*	*6%*	

Gross profit for the three months ended December 31, 2022 improved by six percentage points compared to the comparative period largely attributable to increased production throughput. This was offset to some degree by material cost headwinds, volume discounts offered on certain standard product offerings as well a shift in product mix towards capital equipment, which typically commands higher material costs than aftermarket product lines. In addition, gross profit was unfavorably impacted by investments in additional headcount and wage adjustments to bring employee compensation to market rates in order to support the Corporation's revenue growth.

GENERAL AND ADMINISTRATION EXPENSE (G&A)

($000 except percentages)	2022	2021	Change	% Change
	For the three months ended December 31			
G&A	**1,902**	1,181	721	61%
G&A as a % of revenue	***10%***	*12%*	*(2%)*	

For the three months ended December 31, 2022, G&A increased from the comparative period due to bad debts provision of $nil (2021 – $0.2 million of recoveries for previously impaired trade accounts). For the three months ended December 31, 2022, G&A was also impacted by the mid-year reversal of previously enacted wage rollbacks and salary freezes to bring employee compensation market rates as well as inflationary pressure from certain of the Corporation's professional service providers.

SALES AND MARKETING EXPENSE (SALES & MARKETING)

($000 except percentages)	For the three months ended December 31			
	2022	2021	Change	% Change
Sales & marketing	**482**	401	81	20%
Sales & marketing as a % of revenue	***3%***	*4%*	*(1%)*	

Sales & Marketing increased modestly from the comparative periods as a result of investments in additional headcount to support the Corporation's revenue growth.

PRODUCT DEVELOPMENT AND SUPPORT

($000 except percentages)	For the three months ended December 31			
	2022	2021	Change	% Change
Product development and support expense	**766**	664	102	15%
Capitalized development expenditures	**176**	686	(510)	(74%)
Product development and support expenditures	**942**	1,350	(408)	(30%)
Product development and support expenditures as a % of revenue	**5%**	14%	(9%)	

During the three months ended December 31, 2022, McCoy further advanced its 'Digital Technology Roadmap' initiative with the commercialization of its smartCRT™ and continued development of 'smart' product offerings that will be digitally integrated into its automated tubular running system smartTR™. For the three months ended December 31, 2022, capitalized development expenditures included $0.2 million of external spend related to certification costs, field trials and external product design.

For the three months ended December 31, 2021, capitalized development expenditures included internal product design and development hours of $0.2 million, in addition to $0.1 million of field trial expenditures for smartCRT™ and Virtual Thread Rep™, as well as $0.1 million external product design costs for the next phase of our Virtual Thread-Rep™ technology.

Other items

($000 except percentages)	2022	2021	Change	% Change
	For the three months ended December 31			
Finance charges, net	**215**	182	33	18%
Other gains, net	**(3,810)**	(2,450)	(1,360)	56%

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

For the three months ended December 31, 2022, other gains, net is comprised primarily of $4.1 million of gains on disposal of property, plant and equipment including the impact of the sale and leaseback transaction the Corporation completed in December 2022.

For the three months ended December 31, 2021, other gains, net is comprised primarily of $2.4 million (US$2.0 million) loan forgiveness of the US Paycheck Protection Program, government assistance payments related to the Canadian Emergency Wage and Rent Subsidies, as well as gains on the disposal of property, plant and equipment, offset by costs associated with strategic alternatives assessment and foreign exchange losses.

Summary of quarterly results

($000 except per share amounts)	2022				2021			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	18,264	12,410	12,863	8,891	9,451	9,885	6,086	7,374
Net earnings	7,264	274	1,051	174	2,464	621	1,151	(158)
Per share – Basic	0.26	0.01	0.04	0.01	0.09	0.02	0.04	(0.01)
Per share - Diluted	0.25	0.01	0.04	0.01	0.08	0.02	0.04	(0.01)
EBITDA	7,319	1,149	1,943	1,146	3,504	1,551	2,077	749
Adjusted EBITDA	3,681	1,099	2,296	1,461	1,213	1,377	174	673

SUMMARY OF CONSOLIDATED ANNUAL RESULTS

For the year ended December 31 ($000 except per share amounts)	2022	2021	2020
Revenue	**52,428**	32,796	38,674
Net earnings (loss)	**8,763**	4,078	(2,175)
Per common share – basic	**0.31**	0.15	(0.08)
Per common share – diluted	**0.31**	0.14	(0.08)
Adjusted EBITDA	**8,537**	3,437	3,766
Per common share – basic	**0.30**	0.12	0.14
Per common share – diluted	**0.30**	0.12	0.14
Total assets	**77,793**	55,138	52,658
Total liabilities	**26,079**	15,128	17,154
Total non-current liabilities	**6,680**	6,741	9,725

EBITDA and adjusted EBITDA are calculated as follows:

For the year ended December 31 ($000)	2022	2021	2020
Net earnings (loss)	**8,763**	4,078	(2,175)
Depreciation of property, plant and equipment	**1,846**	2,167	2,473
Amortization of intangible assets	**1,151**	792	843
Income tax (recovery) expense	**(974)**	-	9
Finance charges, net	**771**	843	1,010
EBITDA	**11,557**	7,880	2,160
Provisions for (recovery of) excess and obsolete inventory	**486**	(230)	1,786
Other gains, net	**(4,072)**	(4,805)	(631)
Restructuring charges	**-**	-	178
Share-based compensation	**566**	592	273
Adjusted EBITDA	**8,537**	3,437	3,766

REVENUE

	For the year ended December 31			
($000 except percentages)	**2022**	2021	Change	% Change
Revenue	**52,428**	32,796	19,632	60%

For the year ended December 31, 2022, revenues benefitted from strengthened industry fundamentals and key capital equipment orders received from new market entrants in several regions in the Middle East and North Africa.

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

GROSS PROFIT

	For the year ended December 31			
($000 except percentages)	**2022**	2021	Change	% Change
Gross profit	**15,763**	9,144	6,619	72%
Gross profit as a % of revenue	***30%***	*28%*	*2%*	

Gross profit improved by two percentage points from the comparative period largely as a result of increased production throughput. This was offset to some degree by a substantial shift in product mix towards capital equipment, as capital equipment typically commands higher material costs than aftermarket product lines. In addition, the impact of investments in additional headcount, wage adjustments to bring employee compensation in line with market rates, as well as material cost headwinds unfavorably impacted gross profit.

Gross profit for the year ended December 31, 2022 was further impacted by a $0.5 million provision for excess and obsolete inventory (2021 – recovery of $0.2 million).

GENERAL AND ADMINISTRATION EXPENSE (G&A)

	For the year ended December 31			
($000 except percentages)	2022	2021	Change	% Change
G&A	**6,532**	5,596	936	17%
G&A as a % of revenue	***12%***	*17%*	*(5%)*	

For the year ended December 31, 2022, G&A increased from the comparative period due to the mid-year reversal of previously enacted wage rollbacks and salary freezes to bring employee compensation in line with market rates as well as inflationary pressure from certain of the Corporation's professional service providers. In the comparative period, G&A benefitted from $0.2 million of recoveries for previously impaired trade accounts (2022 – provision of $0.1 million).

SALES AND MARKETING EXPENSE (SALES & MARKETING)

	For the year ended December 31			
($000 except percentages)	2022	2021	Change	% Change
Sales & marketing	**1,783**	1,438	345	24%
Sales & marketing as a % of revenue	***3%***	*4%*	*(1%)*	

For the year ended December 31, 2022, Sales & Marketing increased from the comparative period as a result of increased sales and marketing activity to support a rebound in quoting and order intake with improving market conditions.

PRODUCT DEVELOPMENT AND SUPPORT

	For the year ended December 31			
($000 except percentages)	2022	2021	Change	% Change
Product development and support expense	**2,960**	1,994	966	48%
Capitalized development expenditures	**782**	2,051	(1,269)	(62%)
Product development and support expenditures	**3,742**	4,045	(303)	(7%)
Product development and support expenditures as a % of revenue	**7%**	12%	(5%)	

During the year ended December 31, 2022, McCoy further advanced its 'Digital Technology Roadmap' initiative with the commercialization of its smartCRT™ and SmartFMS™, in addition to continued development of 'Smart' product offerings that will be digitally integrated into its automated tubular running system smartTR™. For the year ended December 31, 2022, capitalized development expenditures include internal product development hours and field trial support, in addition to $0.6 million of external spend related to field trials, prototype materials, and certification costs. Product development and support expense for the year ended December 31, 2022, was also impacted by reversing previously enacted wage rollbacks and salary freezes to market rates, in addition to capitalizing fewer internal development hours.

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

OTHER ITEMS

	For the year ended December 31			
($000 except percentages)	**2022**	2021	Change	% Change
Other gains, net	**(4,072)**	(4,805)	733	(15%)
Finance charges, net	**771**	843	(72)	(9%)

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

For the three months ended December 31, 2022, other gains, net is comprised primarily of $4.1 million of gains on disposal of property, plant and equipment including the impact of the sale and leaseback transaction the Corporation completed in December 2022.

For the year ended December 31, 2021, other gains, net is comprised primarily of $4.8 million (US $3.9 million) loan forgiveness of the US Paycheck Protection Program, government assistance payments related to the Canadian Emergency Wage and Rent Subsidies, as well as gains on the disposal of property, plant and equipment, offset by a one-time retroactive payment to employees, foreign exchange losses, and costs associated with strategic alternatives assessment.

LIQUIDITY AND CAPITAL RESOURCES

Selected cash flow and capitalization information is as follows:

For the three months ended December 31 ($000)	**2022**	2021
Cash generated from operating activities	**4,591**	1,587
Cash generated (used in) investing activities	**8,153**	(2,126)
Cash used in financing activities	**(200)**	(1,040)

For both the three months ended December 31, 2022 and 2021, cash generated from operating activities was a result of strong adjusted EBITDA performance and working capital efficiency, offset by finance costs paid.

During both the current and comparative periods, cash generated from (used in) investing activities related to product development under McCoy's 'Digital Technology Roadmap' and strategic equipment additions to the Corporation's rental fleet, offset by proceeds from sale of certain equipment. For the three months ended December 31, 2022 the Corporation benefitted from net proceeds of $8.5 million as a result of a sale and leaseback arrangement that closed in December of 2022.

Cash used in financing activities for the three months ended December 31, 2022 relates to principal elements of lease payments. Cash used in financing activities for the three months ended December 31, 2021 relates to repayments of existing credit facilities and principal elements of lease payments.

For the year ended December 31 ($000)	2022	2021
Cash generated from operating activities	**2,871**	1,459
Cash generated from (used in) investing activities	**6,912**	(3,715)
Cash generated from (used in) financing activities	**(308)**	1,398

Cash generated from operating activities for the year ended December 31, 2022 was a result of strong EBITDA performance, offset by working capital investment, primarily in trade receivables due to the timing of customer shipments and inventory to support order backlog, and finance costs paid. In the comparative period, cash generated from operating activities was also a result of strong EBITDA performance, offset by working capital investment, primarily in trade receivables due to the timing of customer shipments.

During both the current and comparative periods, cash generated from (used in) investing activities related to product development under McCoy's 'Digital Technology Roadmap' and strategic equipment additions to the Corporation's rental fleet. During the year ended December 31, 2022, the Corporation benefitted from net proceeds of $8.5 million as a result of a sale and leaseback arrangement that closed in December of 2022.

For the year ended December 31, 2022, cash used in financing activities included principal elements of lease payments offset by proceeds from the issuance of share capital under the Corporation's restricted share and stock option plans. For the year ended December 31, 2021, cash generated from financing activities relates to $2.5 million of funding received under the Corporation's second application for a US PPP loan, $1.3 million of proceeds received from a final draw under its secured term facility, offset by debt repayments and principal elements of lease payments.

As at December 31 ($000)	2022	2021
Cash and cash equivalents	**21,469**	11,139
Restricted cash, as per credit facilities	**846**	885
Borrowings	**(4,517)**	(4,194)
Net cash	**17,798**	7,830
Undrawn availability under revolving demand facility	**3,386**	3,084

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

McCoy remains committed to managing the business for success by generating meaningful cashflows from operations and increasing working capital efficiency. We expect our operational leverage to continue to provide a foundation for strong revenue and earnings growth as we continue to deliver on our strong order backlog.

Anticipated capital spending for 2023 includes:

- strategic investment in rental equipment where meaningful returns are expected;
- US$0.7 million investments in production facility equipment to improve production efficiencies and profitability; and
- Up to US$0.4 million of investment in development of digital technology product offerings.

FINANCIAL RISK MANAGEMENT

The Corporation's activities are exposed to a variety of financial risks of varying degrees of significance, which could affect the Corporation's ability to achieve strategic objectives. Overall, risk management programs focus on the unpredictability of financial and economic markets and seek to minimize potential adverse effects on financial performance. The principal financial risks to which the Corporation is exposed are described in note 22 of the Consolidated Annual Financial Statements for the year ended December 31, 2022.

OTHER FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS

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

(000's)	Due in less than one year	Due between one and two years	Due between two and three years	Due beyond three years	Total
	$	$	$	$	**$**
Trade and other payables	10,862	-	-	-	10,862
Borrowings	2,302	2,302	-	-	4,604
Lease liabilities	1,558	1,472	1,385	2,323	6,738
Restructuring provisions	30	-	-	-	30
Undiscounted cash flows for financial liabilities	14,752	3,774	1,385	2,323	22,234
Purchase commitments for inventory and operating services	12,429	-	-	-	12,429
As at December 31, 2022	**27,181**	**3,774**	**1,385**	**2,323**	**34,663**

Outstanding share data

As at March 9, 2023 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	28,511,789
Convertible equity securities:	
Stock options	1,435,000
Restricted shares	370,000

The stock options and restricted shares are exercisable into an equal number of common shares. Stock options may be exercised after they have vested. Restricted shares are converted to common shares at pre-determined vesting dates. Options with the following exercise price ranges were outstanding as at March 9, 2023:

Exercise price range	Options outstanding	Weighted average remaining contractual life
	#	Years
<$1	565,000	6.77
$1 to $2	490,000	3.87
$2 to $3	180,000	3.83
$3 to $4	200,000	2.02
	1,435,000	4.75

Critical accounting estimates and judgments

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

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

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

(i) *Trade and other receivables*

The Corporation records trade and other receivables at amortized cost. Write-downs for trade and other receivables are recorded each period as required under the expected credit loss model and further updated based on management's judgment.

(ii) *Inventories*

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

(iii) *Provisions*

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

(iv) *Income tax*

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

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

(v) *Impairment of non-financial assets*

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

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

(vi) *Leases*

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

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

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

FUTURE ACCOUNTING PRONOUNCEMENTS

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

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

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

An evaluation of the design and operating effectiveness of our DC&P was conducted, as at December 31, 2022, 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, 2022, our DC&P, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), was effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

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

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

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

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

Management, under the supervision of the CEO and CFO, has evaluated the design and operating effectiveness of our ICFR using the framework and criteria established in Internal Controls – Integrated Framework of 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO have concluded that as at December 31, 2022, ICFR (as defined in NI 52-109) were effective. There were no changes in our ICFR during the year ended December 31, 2022 that have materially affected, or are reasonably likely to affect, our ICFR.

RISK AND UNCERTAINTIES RELATED TO THE BUSINESS

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

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

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

OTHER INFORMATION

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2022 is available on SEDAR at www.sedar.com.