



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2016

(unaudited)



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in thousands of Canadian dollars)
(unaudited)

As at	March 31, 2016	December 31, 2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	21,882	27,450
Trade and other receivables	6,436	9,103
Inventories	41,076	43,776
Income tax recoverable	4,392	3,680
Other current assets	3,833	3,621
	77,619	87,630
Property, plant and equipment	13,759	15,405
Intangible assets	2,290	6,896
Deferred tax assets	1,597	636
Total assets	95,265	110,567
Liabilities		
Current liabilities		
Trade and other payables	5,235	6,532
Customer deposits	595	1,289
Provisions	3,052	3,353
Income tax payable	1,131	1,470
	10,013	12,644
Provisions	150	150
Deferred tax liabilities	278	304
Total liabilities	10,441	13,098
Shareholders' equity		
Share capital	60,187	60,187
Contributed surplus	4,417	4,306
Accumulated other comprehensive income	8,518	11,897
Retained earnings	11,702	21,079
Total shareholders' equity	84,824	97,469
Total liabilities and shareholders' equity	95,265	110,567

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF (LOSS) EARNINGS AND COMPREHENSIVE INCOME (LOSS)

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

For the three months ended March 31	2016	2015
	\$	\$
Revenue	7,159	25,800
Cost of sales	8,588	15,422
Gross profit	(1,429)	10,378
General and administration	3,063	5,974
Sales and marketing	930	1,398
Research and development	405	410
Impairment of intangible assets	4,285	-
Restructuring charges	142	-
Finance charges, net	18	93
Other losses (gains), net	1,308	(637)
	10,151	7,238
(Loss) earnings before income taxes	(11,580)	3,140
Income tax (recovery) expense		
Current	(1,191)	244
Deferred	(1,012)	667
	(2,203)	911
Net (loss) earnings	(9,377)	2,229
Other comprehensive (loss) income		
Translation (loss) gain of foreign operations	(3,379)	3,754
Comprehensive income	(12,756)	5,983
(Loss) earnings per share		
Basic from net (loss) earnings	(0.34)	0.08
Diluted from net (loss) earnings	(0.34)	0.08

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	<u>Issued capital</u>		Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number of shares	Amount				
	#	\$	\$	\$	\$	\$
Balances at January 1, 2015	27,694,239	60,137	3,778	3,632	34,826	102,373
Net earnings	-	-	-	-	2,229	2,229
Translation gain on foreign operations	-	-	-	3,754	-	3,754
Employee share-based compensation expense	-	-	124	-	-	124
Dividends	-	-	-	-	(1,385)	(1,385)
Balances at March 31, 2015	27,694,239	60,137	3,902	7,386	35,670	107,095
Balances at January 1, 2016	27,704,239	60,187	4,306	11,897	21,079	97,469
Net loss	-	-	-	-	(9,377)	(9,377)
Translation loss on foreign operations	-	-	-	(3,379)	-	(3,379)
Employee share-based compensation expense	-	-	111	-	-	111
Balances at March 31, 2016	27,704,239	60,187	4,417	8,518	11,702	84,824

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(Stated in thousands of Canadian dollars)

(unaudited)

For the three months ended March 31	2016	2015
Cash generated from (used in)	\$	\$
Operating activities		
Net (loss) earnings	(9,377)	2,229
Adjustments for:		
Depreciation of property, plant and equipment	1,071	1,069
Amortization of intangible assets	333	770
Income tax (recovery) expense	(2,203)	911
Finance charges, net	18	93
EBITDA¹	(10,158)	5,072
Share-based compensation expense	107	70
Non-cash change in value of derivative financial instruments	-	692
Impairment of intangible assets	4,285	-
(Gain) loss on disposal of property, plant and equipment	(13)	46
Changes in non-cash working capital balances	478	(430)
Finance costs paid, net	(33)	(24)
Income taxes paid, net	-	(2,545)
Net cash (used in) generated from operating activities	(5,334)	2,881
Investing activities		
Purchases of property, plant and equipment	(161)	(466)
Proceeds from sale of property, plant and equipment	25	103
Additions to intangible assets	(10)	(1,002)
Net cash used in investing activities	(146)	(1,365)
Effect of exchange rate changes on cash and cash equivalents	(88)	84
(Decrease) increase in cash and cash equivalents	(5,568)	1,600
Cash and cash equivalents – beginning of the period	27,450	29,876
Cash and cash equivalents – end of the period	21,882	31,476

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

¹ EBITDA is an additional GAAP measure presented under IFRS defined as "net earnings before finance charges (net), income tax expense, depreciation and amortization".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2016

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

(unaudited)

1. NATURE OF OPERATIONS

McCoy Global Inc. ("McCoy", "McCoy Global" or the "Corporation") is incorporated and domiciled in Canada and provides 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:

- 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 products and services; such as technical support, consumables (dies and inserts) and replacement parts;
- repair, maintenance and calibration of drilling and completions equipment; and
- rental of drilling and completions equipment.

Set out below are McCoy's principal operations:

Operating Name	Country of Incorporation	Operating Region	Ownership Interest
McCoy Global Canada Corp.	Canada	Canada	100%
McCoy Global S.à r.l.	Luxembourg	Middle East	100%
McCoy Global Singapore Pte. Ltd.	Singapore	Asia Pacific	100%
McCoy Global UK Ltd.	United Kingdom	Europe, Africa and Russia	100%
McCoy Global USA, Inc.	United States	United States	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" and on the OTCQB under the symbol "MCCRF."

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards.

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year.

Amendments to IFRS effective for the year ending December 31, 2016 are not expected to have a material impact on the Corporation.

3. 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 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.

4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, amounts held in escrow on business divestitures, and trade and other payables.

The fair value of cash and cash equivalents, trade and other receivables, amounts held in escrow on business divestitures, and trade and other payables approximate their carrying value due to their short-term nature.

5. IMPAIRMENT OF INTANGIBLE ASSETS

In response to declining industry trends, the Corporation reviewed capitalized development costs related to new product development projects. Management has determined that the future economic benefits expected from the use of these assets is uncertain. Accordingly, the Corporation recognized an impairment charge of \$4,285 (2015 - \$nil) against internally generated intellectual property.

6. REVOLVING CREDIT FACILITY

Effective February 5, 2016, the Corporation reduced the maximum principal available under its revolving credit facility from \$50.0 million to \$25.0 million.

As at March 31, 2016, the Corporation was not in compliance with certain of the financial covenants specified in its credit facility agreement. The Corporation requested and obtained a temporary covenant waiver letter, specific to the fixed charge coverage ratio covenant, for the quarterly reporting periods ending December 31, 2015 and March 31, 2016 from the lenders. All other terms and conditions of the facility remain the same. The temporary waiver restricts the Corporation's ability to access draws under the credit facility, with exception of the swing line loan and senior letter of credit facilities, up to a maximum amount of \$500. The Corporation is in negotiations with its lenders to revise the covenants under the credit facility.

7. SUBSEQUENT EVENT

Effective April 27, 2016, the Corporation reduced the maximum principal available under the revolving credit facility from \$25.0 million to \$10.0 million.