Condensed Consolidated Interim Financial Statements

September 30, 2016

(unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in thousands of Canadian dollars)
(unaudited)

As at	Note	September 30, 2016	December 31, 2015
		$	$
Assets			
Current assets			
Cash and cash equivalents	7	**20,014**	27,450
Trade and other receivables		**4,340**	9,103
Inventories	5	**30,893**	43,776
Income tax recoverable		**6,499**	3,680
Other current assets	8	**2,996**	3,621
		64,742	87,630
Property, plant and equipment	6(a), 6(c)	**7,367**	15,405
Intangible assets	6(b), 6(c)	**1,731**	6,896
Deferred tax assets		**35**	636
Total assets		**73,875**	110,567
Liabilities			
Current liabilities			
Trade and other payables		**4,168**	6,532
Customer deposits		**158**	1,289
Provisions	5, 8	**3,314**	3,353
Income tax payable		**-**	1,470
		7,640	12,644
Provisions	5	**3,039**	150
Deferred tax liabilities		**-**	304
Total liabilities		**10,679**	13,098
Shareholders' equity			
Share capital		**60,187**	60,187
Contributed surplus		**4,538**	4,306
Accumulated other comprehensive income		**8,959**	11,897
(Accumulated deficit) retained earnings		**(10,488)**	21,079
Total shareholders' equity		**63,196**	97,469
Total liabilities and shareholders' equity		**73,875**	110,567

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

Condensed Consolidated Interim Statements of Loss and Comprehensive (Loss) Income

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

		Three months ended September 30		Nine months ended September 30	
	Note	**2016**	2015	**2016**	2015
		$	$	**$**	$
Revenue		**7,137**	21,376	**20,879**	70,128
Cost of sales		**8,319**	17,494	**26,002**	48,991
Gross (loss) profit		**(1,182)**	3,882	**(5,123)**	21,137
General and administration		**2,331**	4,975	**8,596**	15,898
Sales and marketing		**705**	913	**2,556**	3,778
Research and development		**122**	48	**968**	870
Restructuring charges, net	5	**(48)**	1,037	**9,611**	1,263
Impairment charges (reversals)	6(a), 6(b)	**(367)**	1,133	**6,645**	1,133
Finance charges, net		**21**	54	**105**	278
Other losses (gains), net		**(5)**	(1,405)	**1,434**	(1,954)
		2,759	6,755	**29,915**	21,266
Loss before income taxes		**(3,941)**	(2,873)	**(35,038)**	(129)
Income tax (recovery) expense					
Current		**(686)**	(1,061)	**(3,748)**	53
Deferred		**(161)**	151	**277**	3
		(847)	(910)	**(3,471)**	56
Net loss		**(3,094)**	(1,963)	**(31,567)**	(185)
Other comprehensive (loss) income					
Translation (loss) gain of foreign operations		**741**	3,163	**(2,938)**	6,309
Comprehensive (loss) income		**(2,353)**	1,200	**(34,505)**	6,124
Loss per share					
Basic from net loss		**(0.11)**	(0.07)	**(1.14)**	(0.01)
Diluted from net loss		**(0.11)**	(0.07)	**(1.14)**	(0.01)

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)

	Issued capital					
	Number of shares	Amount	Contributed surplus	Accumulated other comprehensive income	(Accumulated deficit) retained earnings	Total equity
	#	$	$	$	$	$
Balances at January 1, 2015	27,694,239	60,137	3,778	3,632	34,826	102,373
Net loss	-	-	-	-	(185)	(185)
Translation gain on foreign operations	-	-	-	6,309	-	6,309
Employee share-based compensation expense	-	-	413	-	-	413
Dividends	-	-	-	-	(2,770)	(2,770)
Common shares issued on exercise of stock options	10,000	50	(15)	-	-	35
Balances at September 30, 2015	27,704,239	60,187	4,176	9,941	31,871	106,175
Balances at January 1, 2016	27,704,239	60,187	4,306	11,897	21,079	97,469
Net loss	**-**	**-**	**-**	**-**	**(31,567)**	**(31,567)**
Translation loss on foreign operations	**-**	**-**	**-**	**(2,938)**	**-**	**(2,938)**
Employee share-based compensation expense	**-**	**-**	**232**	**-**	**-**	**232**
Balances at September 30, 2016	**27,704,239**	**60,187**	**4,538**	**8,959**	**(10,488)**	**63,196**

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)

	Note	Three months ended September 30 2016	Three months ended September 30 2015	Nine months ended September 30 2016	Nine months ended September 30 2015
Cash (used in) generated from		**$**	$	**$**	$
Operating activities					
Net loss		**(3,094)**	(1,963)	**(31,567)**	(185)
Adjustments for:					
Depreciation of property, plant and equipment		**731**	1,075	**2,844**	3,213
Amortization of intangible assets		**295**	771	**891**	2,424
Income tax (recovery) expense		**(847)**	(910)	**(3,471)**	56
Finance charges, net		**21**	54	**105**	278
EBITDA[1]		**(2,894)**	(973)	**(31,198)**	5,786
Share-based compensation expense		**74**	(27)	**195**	333
Non-cash change in value of derivative financial instruments		**-**	(248)	**-**	(221)
Impairment charges (reversals)	6	**(367)**	1,133	**6,645**	1,133
(Gain) loss on disposal of property, plant and equipment		**(69)**	134	**(157)**	169
Changes in non-cash working capital balances		**1,857**	3,982	**11,385**	(4,305)
Changes in restructuring provision	5	**(1,494)**	-	**3,469**	-
Finance costs paid, net		**(17)**	(37)	**(78)**	(189)
Income taxes paid, net		**(477)**	201	**(646)**	(2,953)
Net cash (used in) generated from operating activities		**(3,387)**	4,165	**(10,385)**	(247)
Investing activities					
Purchases of property, plant and equipment		**-**	(40)	**(302)**	(526)
Proceeds from sale of property, plant and equipment		**2,275**	-	**2,383**	35
Proceeds from sale of subsidiary		**-**	-	**-**	848
Additions to intangible assets		**-**	(303)	**(10)**	(1,475)
Net cash generated from (used in) investing activities		**2,275**	(343)	**2,071**	(1,118)
Financing activities					
Proceeds from issuance of share capital on exercise of options		**-**	-	**-**	35
Dividends paid		**-**	-	**-**	(2,770)
Net cash used in financing activities		**-**	-	**-**	(2,735)
Effect of exchange rate changes on cash and cash equivalents		**535**	135	**878**	1,141
(Decrease) increase in cash and cash equivalents		**(577)**	3,957	**(7,436)**	(2,959)
Cash and cash equivalents – beginning of the period		**20,591**	22,960	**27,450**	29,876
Cash and cash equivalents – end of the period		**20,014**	26,917	**20,014**	26,917

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 loss before finance charges, net, income tax expense, depreciation and amortization".

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 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 oil and gas wells.

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 and Russia	100%
McCoy Global S.à r.l.	Luxembourg	Middle East and 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 and 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" 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 these instruments; 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. Restructuring provision and charges

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.

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. The Restructuring Plan was substantially completed in the third quarter.

The Plan included:

i. the consolidation of the Corporation's hydraulic power tong product line to Edmonton, Canada, resulting in the closure of its hydraulic power tong production facility in Broussard, USA;

ii. the closure of the Corporation's Houston, USA sales and service facility;

iii. the relocation and downsizing of operations in Aberdeen, UK; and

iv. further reductions in both operational and functional headcount.

Restructuring charges have been included on the unaudited condensed consolidated interim statement of loss and comprehensive (loss) income as restructuring charges. Non-current restructuring costs were discounted using a pre-tax risk free discount rate of 0.5%. At September 30, 2016, accrued restructuring costs are included in provisions on the unaudited condensed consolidated statement of financial position. The table below summarizes restructuring charges recorded on the unaudited condensed consolidated interim statement of loss and comprehensive (loss) income for the three and nine months ended September 30, 2016 and restructuring charges included in the unaudited condensed consolidated statement of financial position at September 30, 2016:

	Onerous lease contracts	Inventory write-downs	Severance pay and benefits	Other direct costs	Restructuring provisions
	$	$	$	$	**$**
Accrued balance December 31, 2015	-	-	-	-	**-**
Costs recognized, three months ended:					
March 31, 2016	-	-	142	-	**142**
June 30, 2016	4,518	3,961	1,002	36	**9,517**
September 30, 2016	95	16	29	325	**465**
Payments and allowances	(650)	(3,977)	(1,094)	(361)	**(6,082)**
Revisions to lease agreements	(513)	-	-	-	**(513)**
Restructuring provisions	**3,450**	**-**	**79**	**-**	**3,529**
Other provisions					2,824
Total provisions					**6,353**

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. During the third quarter, the Corporation renegotiated certain lease agreements impacting the onerous lease provision. Recognizing the onerous lease contract provision significantly impacted the Corporation's commitments as previously disclosed in the annual financial statements for the year ended December 31, 2015. An updated table of minimum lease payments, as at September 30, 2016 under non-cancellable operating leases, excluding onerous lease contracts, and net of sublease payments to be received, are as follows:

	Minimum lease payment	Sublease payments to be received	Net obligation
	$	$	**$**
October 1 – December 31, 2016	579	183	**396**
Due January 1, 2017 – December 31, 2021	5,223	977	**4,246**
Due January 1, 2022 and thereafter	210	-	**210**
	6,012	1,160	**4,852**

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 unaudited condensed 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.

Uncertainties may exist over the amount and timing of estimated cash flows related to restructuring provisions. Restructuring provisions of $829 are expected to be utilized within one year of the statement of financial position date.

Other provisions include warranty, environmental and legal provisions based on operational results not directly related to restructuring provisions and charges.

6. Impairment of Non-Financial Assets

a) Property, Plant and Equipment

As a result of the Restructuring Plan described in note 5, certain property, plant and equipment (PPE) was identified which would no longer be utilized to support revenue generating activities. In the second quarter of 2016, 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 cost to sell and value in use). Accordingly in the second quarter of 2016, the Corporation recognized an impairment charge of $2,727 (2015 - $nil) against PPE specific to the Restructuring Plan. The impairment charge was included on the statement of loss and comprehensive (loss) income in impairment charges.

During the third quarter, the Corporation disposed of the PPE that was previously impaired resulting in an impairment reversal of $367. The impairment reversal was included on the statement of loss and comprehensive (loss) income in impairment charges (reversals). Proceeds on disposal of the assets was $1,908, of which $336 was recorded in trade and other receivables on the statement of financial position and impacted changes in non-cash working capital balances on the statement of cash flows. The cash proceeds of $336 were received subsequent to September 30, 2016.

b) Impairment of intangible assets

In the first quarter of 2016, the Corporation recognized an impairment charge of $4,285 (2015 - $nil) related to internally generated intellectual property that is not expected to result in future economic benefits.

c) Impairment of other non-financial assets

The Corporation reviewed the carrying value of its remaining non-financial assets for indicators of impairment. During the nine months ended September 30, 2016, the Corporation determined that low commodity prices and the industry decline in drilling and completions activity levels was an indicator of impairment and updated the comprehensive assessment performed at March 31, 2016 of the carrying values of non-financial assets. The Corporation determined that no further impairment was to be recognized. No significant changes to any of the key assumptions in the analysis would have resulted in an impairment charge in any cash generating unit.

7. Operating line of credit

During the quarter the Corporation cancelled the revolving credit facility existing at June 30, 2016 and entered into a $5.0 million operating line of credit. The operating line is payable on demand and can be cancelled upon written notice. As required under the terms of the operating line of credit agreement, $2,500 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 operating line of credit. The operating line 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 $2,500 to be held under the Creditor's authority, up to a maximum of $5.0 million, being the total value of the operating line of credit.

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. 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. 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 1%. As of September 30, 2016, $4.5 million was available under the operating line of credit as $462 was committed under carve out facilities related to the Corporation's corporate credit card program.

8. Subsequent event

Subsequent to September 30, 2016 the Corporation settled certain other assets and provisions relating to the previous divestiture of the Coatings & Hydraulics division, resulting in a gain (loss) of $nil and receipt of $205 of net cash proceeds. A member of the Corporation's Board of Directors has an equity interest in the corporation counterparty to the transaction.