CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2018

(unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Stated in thousands of Canadian dollars)
(unaudited)

As at	Note	September 30, 2018	December 31, 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents		**12,265**	14,972
Restricted cash	8	**500**	2,500
Trade and other receivables		**10,468**	8,449
Inventories	5	**23,093**	18,330
Income taxes recoverable		**-**	1,513
Prepaid expenses and deposits		**690**	765
		47,016	46,529
Property, plant and equipment	7	**7,777**	9,042
Intangible assets	6	**155**	1,290
Deferred tax assets		**-**	577
Total assets		**54,948**	57,438
Liabilities			
Current liabilities			
Trade and other payables		**8,025**	5,563
Customer deposits		**1,556**	1,710
Provisions	4	**2,200**	3,363
Borrowings	8	**1,349**	4,930
		13,130	15,566
Provisions	4	**544**	666
Borrowings	8	**3,560**	-
Total liabilities		**17,234**	16,232
Shareholders' equity			
Share capital	9	**59,730**	60,126
Contributed surplus		**5,053**	4,866
Accumulated other comprehensive income		**8,817**	7,378
Accumulated deficit		**(35,886)**	(31,164)
Total shareholders' equity		**37,714**	41,206
Total liabilities and shareholders' equity		**54,948**	57,438

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

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

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

	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	**2018**	2017
		$	$	**$**	$
Revenue		**13,899**	10,563	**35,533**	29,991
Cost of sales		**10,124**	9,656	**27,039**	25,591
Gross profit		**3,775**	907	**8,494**	4,400
General and administration		**1,850**	2,342	**6,444**	6,919
Sales and marketing		**627**	1,008	**2,063**	2,874
Research and development		**720**	702	**2,241**	2,239
Impairment charges	6	**-**	-	**902**	348
Restructuring charges	4	**15**	319	**939**	1,680
Finance charges, net		**92**	51	**191**	127
Other losses, net		**210**	230	**74**	1,105
		3,514	4,652	**12,854**	15,292
Earnings (loss) before income taxes		**261**	(3,745)	**(4,360)**	(10,892)
Income tax expense (recovery)					
Current		**-**	(73)	**(243)**	(103)
Deferred		**78**	(282)	**605**	(726)
		78	(355)	**362**	(829)
Net earnings (loss)		**183**	(3,390)	**(4,722)**	(10,063)
Other comprehensive loss					
Translation (loss) gain of foreign operations		**(592)**	(1,356)	**1,439**	(2,733)
Comprehensive loss		**(409)**	(4,746)	**(3,283)**	(12,796)
Loss per share					
Basic from net earnings (loss)		**0.01**	(0.12)	**(0.17)**	(0.36)
Diluted from net earnings (loss)		**0.01**	(0.12)	**(0.17)**	(0.36)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

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

	Note	Issued capital: Number of shares	Issued capital: Share capital	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Total equity
		#	$	$	$	$	$
Balances at January 1, 2017		27,704,239	60,187	4,617	9,848	(14,847)	59,805
Net loss		-	-	-	-	(10,063)	(10,063)
Translation loss on foreign operations		-	-	-	(2,733)	-	(2,733)
Employee share-based compensation expense		-	-	195	-	-	195
Repurchase of shares	9	(20,000)	(61)	-	-	-	(61)
Balances at September 30, 2017		27,684,239	60,126	4,812	7,115	(24,910)	47,143
Balances at January 1, 2018		27,684,239	60,126	4,866	7,378	(31,164)	41,206
Net loss		**-**	**-**	**-**	**-**	**(4,722)**	**(4,722)**
Translation gain on foreign operations		**-**	**-**	**-**	**1,439**	**-**	**1,439**
Employee share-based compensation expense		**-**	**-**	**8**	**-**	**-**	**8**
Repurchase of shares	9	**(129,700)**	**(396)**	**179**	**-**		**(217)**
Balances at September 30, 2018		**27,554,539**	**59,730**	**5,053**	**8,817**	**(35,886)**	**37,714**

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 2018	Three months ended September 30 2017	Nine months ended September 30 2018	Nine months ended September 30 2017
Cash generated (used in) from		**$**	$	**$**	$
Operating activities					
Net earnings (loss)		**183**	(3,390)	**(4,722)**	(10,063)
Adjustments for:					
Depreciation of property, plant and equipment	7	**411**	574	**2,195**	1,833
Amortization of intangible assets		**147**	205	**439**	631
Income tax expense (recovery)		**78**	(355)	**362**	(829)
Finance charges, net		**92**	51	**191**	127
EBITDA		**911**	(2,915)	**(1,535)**	(8,301)
Share-based compensation		**(31)**	41	**63**	222
Impairment charges	6	**-**	-	**902**	348
(Gain) loss on disposal of property, plant and equipment		**-**	-	**(80)**	3
Changes in non-cash working capital balances		**(1,460)**	(281)	**(3,214)**	3,675
Change in restructuring provision		**(14)**	15	**(1,193)**	(254)
Finance costs paid, net		**2**	(52)	**(55)**	(130)
Income taxes recovered, net		**1,398**	1,095	**1,767**	1,158
Net cash used in operating activities		**806**	(2,097)	**(3,345)**	(3,279)
Investing activities					
Purchases of property, plant and equipment		**(371)**	(369)	**(1,056)**	(1,222)
Proceeds from sale of property, plant and equipment		**21**	172	**142**	215
Additions to intangible assets		**-**	(156)	**(198)**	(597)
Business combination, net		**-**	-	**-**	(7,985)
Net cash used in investing activities		**(350)**	(353)	**(1,112)**	(9,589)
Financing activities					
Proceeds from borrowings	8	**-**	-	**5,147**	5,895
Repayments of borrowings	8	**(431)**	(239)	**(5,361)**	(497)
Repurchase of shares	9	**(62)**	-	**(217)**	(61)
Funds transferred from (to) restricted cash		**-**	-	**2,000**	(2,500)
Net cash (used in) generated from financing activities		**(493)**	(239)	**1,569**	2,837
Effect of exchange rate changes on cash and cash equivalents		**(316)**	80	**181**	(198)
Decrease in cash and cash equivalents		**(353)**	(2,609)	**(2,707)**	(10,229)
Cash and cash equivalents – beginning of the period		**12,618**	14,556	**14,972**	22,176
Cash and cash equivalents – end of the period		**12,265**	11,947	**12,265**	11,947

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2018
(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 is a leading provider of equipment and technologies designed to support 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:

i. design, production and distribution of capital equipment to support wellbore integrity and to support capital equipment sales through aftermarket products and services such as technical support, consumables, and replacement parts;

ii. design, production and distribution of data collection technologies used in rugged applications for the global energy industry as well as in construction, marine and aerospace;

iii. repair, maintenance, and calibration of the Corporation's capital equipment and similar competitor products; and

iv. 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	100%
McCoy Global FZE	United Arab Emirates	Eastern Hemisphere	100%
McCoy Global USA, Inc.	United States	United States, Central America & 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 ("TSX") under the symbol "MCB."

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, 2017 which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

Impact of standards issued but not yet applied:

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The standard will primarily affect the accounting for the Corporation's operating leases. The Corporation has not yet quantified its lease related assets and liabilities or determined the impact on operating results and the classification of cash flows. The standard is mandatory and will be adopted by the Corporation commencing with the interim period beginning January 1, 2019.

New accounting pronouncements adopted in 2018

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The standard was adopted on January 1, 2018, with the only impact being with respect to revising the Corporation's impairment methodology for its trade and other receivables.

The Corporation applies the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables. The adoption of this standard has not had a material impact on the condensed interim financial statements.

IFRS 15 Revenue from Contracts with Customers

The Corporation adopted IFRS 15, effective January 1, 2018. The Corporation considered factors such as customer contracts with unique revenue recognition considerations, the nature and type of goods and services offered, the degree to which contracts include multiple performance obligations or variable consideration, and the pattern in which revenue is currently recognized, among other things.

The adoption of IFRS 15 resulted in certain procedural changes in accounting for revenue, however accounting policies and the timing of revenue recognition for all revenue streams remains the same.

Management continues to evaluate the potential measurement, transitional and disclosure impacts, if any, of other amendments to IFRS effective January 1, 2019 and onward on the Corporation's consolidated financial statements.

3. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial instruments included in working capital approximates fair value due to their short-term or demand nature.

The fair value of the Corporation's non-current borrowings approximates fair value based on interest rates and terms currently available.

4. RESTRUCTURING PROVISION AND CHARGES

In the second quarter of 2018, McCoy completed its strategic initiative to deliver significant operational efficiencies and re-align the Corporation's cost structure to a lower revenue environment by:

i. transitioning McCoy's production facility in Edmonton, Alberta to Broussard, Louisiana. This resulted in the closure of operations in Edmonton and the ramp up of production capabilities in Broussard. Canadian customers continue to be supported through a service and rental facility in Edmonton; and
ii. consolidating McCoy's Eastern Hemisphere operations to the United Arab Emirates. McCoy continues to support the European and Asia Pacific regions with a lower cost structure model.

Restructuring charges as at and for the period ended September 30, 2018 are summarized as follows:

	Onerous lease contracts	Severance pay and benefits	Other direct costs	Restructuring provisions
	$	$	$	**$**
Accrued balance, December 31, 2017	1,225	395	440	**2,060**
Costs recognized, net of recoveries	65	212	662	**939**
Payments and allowances	(556)	(607)	(1,102)	**(2,265)**
Restructuring provisions, September 30, 2018	**734**	**-**	**-**	**734**
Other provisions				**2,010**
Total provisions, September 30, 2018				**2,744**

In the normal course of operations, McCoy may be subject to lawsuits, investigations and other claims, including environmental, labor, product, and customer disputes, among other matters. The Corporation has estimated certain provisions which have been recorded in Other provisions, in the table above. Although it is not always possible to estimate the extent of potential costs, if any, the ultimate resolution of all such pending matters is not anticipated to have a material adverse impact on the financial performance, financial position or liquidity of McCoy.

5. Inventories

The net realizable value of capital equipment and related accessories included in inventories, was assessed on a product line 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. A writedown is taken if management determines that the carrying value of the inventory items exceeds the net recoverable value. 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 writedown is reversed. The maximum amount of any reversal is the original writedown, such that the new carrying amount is the lower of the cost and the revised net realizable value. During the three and nine months ended September 30, 2018, a recovery of $418 and $1,010, respectively, was recognized relating to inventory writedown reversals (three and nine months ended September 30, 2017, an expense of $831 and $2,548, respectively).

6. Impairment of Intangible Assets

During the second quarter of 2018, the Corporation reviewed certain development costs related to technology projects and determined that the future economic benefits expected from the use of these assets was uncertain. Accordingly, an impairment charge of $902 (2017 - $nil) was recognized.

7. Property, plant and equipment

Based on additional experience gained with the Corporation's rental fleet, the useful lives of certain assets in the fleet were revised from 6 – 10 years to 2 – 4 years in the second quarter of 2018. This resulted in an additional depreciation expense of $993 in the three months ended June 30, 2018 and $61 in the three months ended September 30, 2018 and will impact future periods as follows:

	Future period impact
	$
Three months ended December 31, 2018	60
Year ending December 31, 2019	218

8. Borrowings

During the three months ended March 31, 2018 the Corporation repaid all outstanding borrowings under the credit facility that was in place at December 31, 2017 and subsequently cancelled the facility. This resulted in a repayment of $4,930.

Also in the first quarter of 2018, the Corporation then entered into a $500 credit facility to support the cash management of the Corporation. As per the terms of the credit facility, the credit facility is secured by $500 in cash and cash equivalents which are to be held under the Creditor's authority as security. The $500 of cash and cash equivalents held as collateral is presented as restricted cash on the condensed consolidated interim statements of financial position.

During the three months ended June 30, 2018 the Corporation entered into a term loan agreement for $4.0 million USD. The loan has a term of four years and is repayable in equal quarterly payments of principal, plus interest. Interest is calculated at either Libor plus 5.05% or the US Prime Rate plus 3.55%, at the Corporation's option. Under the term loan agreement, the Corporation's wholly owned subsidiary, McCoy Global USA, Inc. provided a general security agreement over all present and after acquired property and the Corporation provided a guarantee. There are no financial covenants associated with the term loan agreement. The Corporation is subject to certain conditions under the term loan agreement, including a material adverse change clause.

Changes in liabilities for which cash flows have been classified as financing activities in the condensed consolidated statements of cash flow are as follows:

	Borrowings
	$
Balance, December 31, 2017	4,930
Repayments of borrowings	(4,930)
Proceeds of borrowings	5,147
Interest incurred	158
Scheduled repayments	(431)
Foreign exchange adjustment	35
Balance, September 30, 2018	4,909

9. Equity

On May 30, 2018, the Corporation announced a normal course issuer bid (NCIB). The Corporation may purchase, for cancellation, up to a maximum 1,379,041 common shares, equal to five percent of the public float of 27,580,839 common shares as at May 23, 2018. The Corporation is also limited under the NCIB to purchasing no more than 2,241 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB will continue until May 19, 2019. Purchases will be made on the open market through the TSX or alternative platforms at the market price of such shares. All shares purchased under the NCIB will be cancelled.

		Three months ended			Nine months ended	Year ended
		March 31, 2018	June 30, 2018	September 30, 2018	September 30, 2018	December 31, 2017
Shares repurchased		22,400	93,800	66,100	**182,300**	20,000
Weighted average cost	$	1.38	1.38	1.29	**1.35**	2.07
Total cost	$	32	123	62	**217**	61

Total cost includes share repurchase amount and costs to implement the NCIB.

As at September 30, 2018, 52,600 shares were repurchased and not yet cancelled.

Subsequent to September 30, 2018, 16,000 shares were repurchased under the NCIB at a weighted average cost of $1.14.