CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2017

(unaudited)

Condensed Consolidated Interim Statements of Financial Position

(Stated in thousands of Canadian dollars)
(unaudited)

As at	Note	March 31, 2017	December 31, 2016
		$	$
Assets			
Current assets			
Cash and cash equivalents		**18,745**	22,176
Restricted cash	6	**2,500**	-
Trade and other receivables		**4,613**	4,877
Inventories		**28,111**	28,197
Income tax recoverable		**4,289**	4,370
Other current assets		**1,642**	1,594
		59,900	61,214
Property, plant and equipment	5	**11,481**	7,113
Intangible assets		**1,257**	1,439
Deferred tax assets		**390**	129
Total assets		**73,028**	69,895
Liabilities			
Current liabilities			
Trade and other payables		**4,164**	3,655
Customer deposits		**1,069**	458
Provisions	4	**2,522**	2,347
Borrowings	6	**5,985**	-
		13,740	6,460
Provisions	4	**3,475**	3,630
Total liabilities		**17,215**	10,090
Shareholders' equity			
Share capital		**60,187**	60,187
Contributed surplus		**4,694**	4,617
Accumulated other comprehensive income		**9,355**	9,848
Retained deficit		**(18,423)**	(14,847)
Total shareholders' equity		**55,813**	59,805
Total liabilities and shareholders' equity		**73,028**	69,895

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

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

For the three months ended March 31	Note	2017	2016
		$	$
Revenue		**10,214**	7,159
Cost of sales		**8,369**	8,588
Gross profit (loss)		**1,845**	(1,429)
General and administration		**2,103**	3,063
Sales and marketing		**908**	930
Research and development		**833**	405
Restructuring charges	4	**996**	142
Other losses, net		**468**	1,308
Impairment charges	5	**348**	4,285
Finance charges, net		**25**	18
		5,681	10,151
Loss before income taxes		**(3,836)**	(11,580)
Income tax (recovery) expense			
Current		**4**	(1,191)
Deferred		**(264)**	(1,012)
		(260)	(2,203)
Net loss		**(3,576)**	(9,377)
Other comprehensive income			
Translation loss of foreign operations		**(493)**	(3,379)
Comprehensive loss		**(4,069)**	(12,756)
Loss per share			
Basic from net loss		**(0.13)**	(0.34)
Diluted from net loss		**(0.13)**	(0.34)

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)

	Issued capital: Number of shares	Issued capital: Share capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings (deficit)	Total equity
	#	$	$	$	$	$
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
Balances at January 1, 2017	27,704,239	60,187	4,617	9,848	(14,847)	59,805
Net loss	**-**	**-**	**-**	**-**	**(3,576)**	**(3,576)**
Translation loss on foreign operations	**-**	**-**	**-**	**(493)**	**-**	**(493)**
Employee share-based compensation expense	**-**	**-**	**77**	**-**	**-**	**77**
Balances at March 31, 2017	**27,704,239**	**60,187**	**4,694**	**9,355**	**(18,423)**	**55,813**

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	Note	2017	2016
Cash generated from (used in)		**$**	$
Operating activities			
Net loss		**(3,576)**	(9,377)
Adjustments for:			
Depreciation of property, plant and equipment		**662**	1,071
Amortization of intangible assets		**216**	333
Income tax recovery		**(260)**	(2,203)
Finance charges, net		**25**	18
EBITDA		**(2,933)**	(10,158)
Share-based compensation expense		**67**	107
Impairment charges	5	**348**	4,285
Gain on disposal of property, plant and equipment		**(34)**	(13)
Changes in non-cash working capital balances		**3,958**	478
Change in restructuring provision	4	**123**	-
Finance costs paid, net		**28**	(33)
Income taxes recovered, net		**66**	-
Net cash generated (used in) from operating activities		**1,623**	(5,334)
Investing activities			
Purchases of property, plant and equipment		**(640)**	(161)
Proceeds from sale of property, plant and equipment		**35**	25
Additions to intangible assets		**(34)**	(10)
Business combination, net		**(7,985)**	-
Net cash used in investing activities		**(8,624)**	(146)
Financing activities			
Proceeds from borrowings		**5,895**	-
Funds transferred to restricted cash		**(2,500)**	-
Net cash generated from financing activities		**3,395**	-
Effect of exchange rate changes on cash and cash equivalents		**175**	(88)
Decrease in cash and cash equivalents		**(3,431)**	(5,568)
Cash and cash equivalents – beginning of the period		**22,176**	27,450
Cash and cash equivalents – end of the period		**18,745**	21,882

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 months ended March 31, 2017
(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 the leading provider of equipment and technologies used for making up threaded connections in the global oil and gas industry. McCoy Global's core products are used predominantly during the well construction phase for both land and offshore wells during both oil and gas exploration.

The Corporation is engaged in the following:

- design, production and distribution of capital equipment used in both off-shore and land drilling markets to make-up tubular products such as casing, and to support capital equipment through the sale of aftermarket product and services such as technical support, consumables (dies and inserts), and replacement parts;
- design, production and distribution of data collection sensor technologies used in rugged applications for the global oil and gas industry as well as in construction, marine and aerospace.
- repair, maintenance, and calibration of the Corporation's capital equipment and similar competitor products; and
- rental of the Corporation's capital equipment.

Set out below are McCoy's principal operations:

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

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

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

2. STATEMENT OF COMPLIANCE

These 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, 2016 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.

Management continues to evaluate the potential measurement, transitional and disclosure impacts, if any, of amendments to IFRS effective January 1, 2018 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.

4. Restructuring provision and charges

In the first quarter of 2017 McCoy Global initiated further changes to its operating model to reduce the Corporation's fixed cost structure and take advantage of the technical expertise and product offerings gained through the integration of the 3PS, Inc. ("3PS") acquisition. These changes will provide more agility to respond to industry cycles and include:

i. the transition from an in-house manufacturing model at the Corporation's Edmonton production facility to an assembly only production model;

ii. consolidation of the torque turn monitoring software and wireless torque sub product lines currently assembled at the Edmonton production facility to the 3PS (Austin, Texas) production facility.

Restructuring charges as at and for the period ended March 31, 2017 are summarized below:

	Onerous lease contracts	Inventory write-downs	Severance pay and benefits	Other direct costs	Restructuring provisions
	$	$	$	$	**$**
Accrued balance December 31, 2016	3,240	-	-	-	**3,240**
Three months ended March 31, 2017:					
Costs recognized	-	217	717	62	**996**
Payments and allowances	(189)	(217)	(398)	(62)	**(866)**
Restructuring provisions	**3,051**	**-**	**319**	**-**	**3,370**
Other provisions					2,627
Total provisions					**5,997**

5. Impairment of non-financial assets

As a result of the restructuring activities noted in note 4, certain property, plant and equipment ("PPE") assets were identified which will not be utilized in the future. It was determined through external appraisal and other assessment that the net book value of the identified PPE exceeded its recoverable value (higher of fair value less cost to sell and value in use) and an impairment charge of $348 (2016 - $4,285) was recorded.

6. Borrowings

During the quarter, the Corporation cancelled the operating line of credit existing at December 31, 2016 and entered into a new credit facility (the "Facility") consisting of the following components:

i. CAD $2,000 operating line repayable on demand. Under the terms of the operating line of credit, funds may be advanced in either Canadian or US currency and will bear interest at the Creditor's Canadian Prime Rate or US Base Rate plus a margin of 2.50% or LIBOR plus a margin of 4.00%.

   The availability of the operating line of credit is subject to a borrowing base calculation, which is based on working capital of the Corporation's Canadian operations. Based on the March 31, 2017 calculations the aggregate borrowing base available for use under the operating line of credit was $1,466 of which $931 (2016 - nil) was drawn.

   The Corporation is also subject to certain conditions under the operating line of credit agreement. These conditions are measured on a quarterly basis.

ii. USD $3,800 non-revolving term facility with principal repayments of USD $190 per quarter and a term of one year. Under the terms of the non-revolving facility, funds are advanced in US currency and will bear interest at the Creditor's US Base Rate plus a margin of 2.50% or LIBOR plus a margin of 4.00%. In the current quarter, the non-revolving credit facility was fully funded.

As required under the terms of the Facility, CAD $2,500 is held under the Creditor's authority as security and is presented as restricted cash on the balance sheet. The Facility is further secured by the Corporation's Canadian assets and the Corporation must maintain a minimum cash balance on hand with the Creditor. Failing to meet the minimum cash on hand requirement triggers an obligation to provide an additional CAD $2,500 to be held under the Creditor's authority, up to a maximum of CAD $5,000.

7. BUSINESS COMBINATION

The Corporation applies the acquisition method to account for business combinations. The measurement of acquired assets and assumed liabilities are based on information available to the Corporation on the acquisition date. The estimate of fair value of acquired assets and assumed liabilities requires significant judgment which is largely based on projected cash flows, discount rates and other market conditions that are present on the date of acquisition. The acquired assets and assumed liabilities are recognized at fair value on the date the Corporation obtains control in a business combination. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

On January 4, 2017, the Corporation announced the acquisition of the assets of 3PS. 3PS specializes in sensors, systems and services for heavy industrial applications, including Torque and Tension Sub technology.

The aggregate consideration given and fair values of net assets acquired in the acquisition of 3PS, subject to the finalization of valuation calculations and any closing adjustments, are as follows:

	January 4, 2017
	$
Consideration transferred:	
Cash	**8,118**
Total consideration	**8,118**
Identifiable assets acquired:	
Cash	**133**
Current assets	**3,419**
Non-current assets	**4,791**
Identifiable liabilities assumed:	
Current liabilities	**162**
Total net identifiable assets	**8,181**
Gain on business combination	**63**

For the three months ended March 31, 2017, the Corporation incurred $245 (three months ended December 31, 2016-$94) of due diligence and closing costs to complete the acquisition of 3PS. These costs have been included in other losses, net on the condensed consolidated interim statements of loss and comprehensive loss.

During the quarter, the Corporation took steps to integrate 3PS with the Corporation's consolidated operating results and therefore, revenue and net earnings are not reported on a stand-alone basis.