CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2017

(unaudited)

Condensed Consolidated Interim Statements of Financial Position

(Stated in thousands of Canadian dollars)
(unaudited)

As at	Note	September 30, 2017	December 31, 2016
		$	$
Assets			
Current assets			
Cash and cash equivalents		**11,947**	22,176
Restricted cash	7	**2,500**	-
Trade and other receivables		**6,860**	4,877
Inventories		**23,671**	28,197
Income tax recoverable		**3,099**	4,370
Other current assets		**1,489**	1,594
Assets Held for Sale	10	**464**	-
		50,030	61,214
Property, plant and equipment	6	**9,938**	7,113
Intangible assets		**1,404**	1,439
Deferred tax assets		**856**	129
Total assets		**62,228**	69,895
Liabilities			
Current liabilities			
Trade and other payables		**4,625**	3,655
Customer deposits		**619**	458
Provisions	5	**2,565**	2,347
Borrowings	7	**5,142**	-
		12,951	6,460
Provisions	5	**2,134**	3,630
Total liabilities		**15,085**	10,090
Shareholders' equity			
Share capital	9	**60,126**	60,187
Contributed surplus		**4,812**	4,617
Accumulated other comprehensive income		**7,115**	9,848
Deficit		**(24,910)**	(14,847)
Total shareholders' equity		**47,143**	59,805
Total liabilities and shareholders' equity		**62,228**	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)

		Three months ended September 30		Nine months ended September 30	
	Note	**2017**	2016	**2017**	2016
		$	$	**$**	$
Revenue		**10,563**	7,137	**29,991**	20,879
Cost of sales		**9,656**	8,319	**25,591**	26,002
Gross profit (loss)		**907**	(1,182)	**4,400**	(5,123)
General and administration		**2,342**	2,331	**6,919**	8,596
Sales and marketing		**1,008**	705	**2,874**	2,556
Research and development		**702**	122	**2,239**	968
Other losses (gains), net		**230**	(5)	**1,105**	1,434
Restructuring charges, net	5	**319**	(48)	**1,680**	9,611
Finance charges, net		**51**	21	**127**	105
Impairment charges (reversals)	6	**-**	(367)	**348**	6,645
		4,652	2,759	**15,292**	29,915
Loss before income taxes		**(3,745)**	(3,941)	**(10,892)**	(35,038)
Income tax (recovery)					
Current		**(73)**	(686)	**(103)**	(3,748)
Deferred		**(282)**	(161)	**(726)**	277
		(355)	(847)	**(829)**	(3,471)
Net loss		**(3,390)**	(3,094)	**(10,063)**	(31,567)
Other comprehensive loss					
Translation (loss) gain of foreign operations		**(1,356)**	741	**(2,733)**	(2,938)
Comprehensive loss		**(4,746)**	(2,353)	**(12,796)**	(34,505)
Loss per share					
Basic per share net loss		**(0.12)**	(0.11)	**(0.36)**	(1.14)
Diluted per share net loss		**(0.12)**	(0.11)	**(0.36)**	(1.14)

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	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		-	-	-	-	(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
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**

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		Nine months ended September 30	
		2017	2016	**2017**	2016
Cash generated from (used in)		**$**	$	**$**	$
Operating activities					
Net loss		**(3,390)**	(3,094)	**(10,063)**	(31,567)
Adjustments for:					
Depreciation of property, plant and equipment		**574**	731	**1,833**	2,844
Amortization of intangible assets		**205**	295	**631**	891
Income tax recovery		**(355)**	(847)	**(829)**	(3,471)
Finance charges, net		**51**	21	**127**	105
EBITDA		**(2,915)**	(2,894)	**(8,301)**	(31,198)
Share-based compensation expense		**41**	74	**222**	195
Impairment (reversals) charges	6	**-**	(367)	**348**	6,645
Loss (gain) on disposal of property, plant and equipment		**-**	(69)	**3**	(157)
Changes in non-cash working capital balances		**(281)**	1,857	**3,675**	11,385
Change in restructuring provision	5	**15**	(1,494)	**(254)**	3,469
Finance costs paid, net		**(52)**	(17)	**(130)**	(78)
Income taxes recovered (paid), net		**1,095**	(477)	**1,158**	(646)
Net cash used in operating activities		**(2,097)**	(3,387)	**(3,279)**	(10,385)
Investing activities					
Purchases of property, plant and equipment		**(369)**	-	**(1,222)**	(302)
Proceeds from sale of property, plant and equipment		**172**	2,275	**215**	2,383
Additions to intangible assets		**(156)**	-	**(597)**	(10)
Business combination, net	8	**-**	-	**(7,985)**	-
Net cash (used in) generated from investing activities		**(353)**	2,275	**(9,589)**	2,071
Financing activities					
Proceeds from borrowings		**-**	-	**5,895**	-
Repayment of borrowings		**(239)**	-	**(497)**	-
Normal course issuer bid	9	**-**	-	**(61)**	-
Funds transferred to restricted cash		**-**	-	**(2,500)**	-
Net cash (used in) generated from financing activities		**(239)**	-	**2,837**	-
Effect of exchange rate changes on cash and cash equivalents		**80**	535	**(198)**	878
Decrease in cash and cash equivalents		**(2,609)**	(577)	**(10,229)**	(7,436)
Cash and cash equivalents – beginning of the period		**14,556**	20,591	**22,176**	27,450
Cash and cash equivalents – end of the period		**11,947**	20,014	**11,947**	20,014

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, 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 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 & 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.

As disclosed below, management continues to evaluate the potential measurement, transitional and disclosure impacts of amendments to IFRS effective January 1, 2018 and onward on the Corporation's consolidated financial statements.

3. Future Accounting Pronouncements

IFRS 9 – Financial instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Corporation has decided not to adopt IFRS 9 until it becomes mandatory on January 1, 2018.

The Corporation does not expect the new guidance to have a significant impact on the classification and measurement of its financial instruments for the following reasons:

i. The Corporation does not currently hold any financial assets that would be accounted for differently under the new standard;

ii. The Corporation does not have any financial liabilities designated at fair value through profit or loss, which are the only liabilities impacted by the new standard; and

iii. The Corporation does not currently have, or anticipate having any outstanding hedges that would require re-assessment under the updated hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit loss (ECL) rather than only incurred credit losses as is the case under IAS 39. This will apply to the Corporation's trade and other accounts receivable and management is currently evaluating the impact of this, as well as the new presentation and disclosure rules on its financial reporting.

IFRS 15 – Revenue from contracts with customers

IFRS 15 will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Corporation will adopt the new standard beginning January 1, 2018. Management is in the process of evaluating its various revenue streams in the context of the new standard.

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 accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Corporation's operating leases. The Corporation has not yet determined the extent to which these lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Corporation's profit and classification of cash flows.

Some of the commitments may be evaluated under the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. At this stage, the Corporation does not intend to adopt the standard before its effective date.

4. 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.

5. Restructuring provision and charges

In 2017, McCoy Global implemented changes to its operating model to reduce the Corporation's fixed cost structure. 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 torque turn monitoring software and wireless torque sub product lines currently assembled at the Corporation's Edmonton production facility to its Austin, Texas production facility.

Restructuring charges as at and for the nine month period ended September 30, 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**
Costs recognized	231	217	963	269	**1,680**
Payments and allowances	(732)	(217)	(963)	(269)	**(2,181)**
Restructuring provisions, September 30, 2017	**2,739**	**-**	**-**	**-**	**2,739**
Other provisions					**1,960**
Total provisions, September 30, 2017					**4,699**

6. Impairment of non-financial assets

As a result of the restructuring activities disclosed in note 5, certain property, plant and equipment ("PPE") assets were identified which will not be utilized in the future. It was determined through the assessment of external appraisals 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 impairment charges for the nine months ended September 30, 2017 of $348 were recorded. During the period ended September 30, 2017 an active marketing plan was initiated to sell some of these assets, therefore, those assets have been reclassified to assets held for sale.

7. Borrowings

On January 19, 2017, 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 entities. At September 30, 2017, the aggregate borrowing base available for use under the operating line of credit was $1,518, of which $874 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 and were met as of September 30, 2017.

ii. USD $3,800 non-revolving term loan 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%. At September 30, 2017, principal of USD $3,420 was outstanding.

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.

8. 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 other gains and losses.

Effective January 1, 2017, the Corporation acquired the assets of 3PS Inc. ("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 nine months ended September 30, 2017, the Corporation incurred due diligence and closing costs of $259 to complete the acquisition. These costs have been included in other losses, net on the condensed consolidated interim statements of loss and comprehensive loss.

During the nine months ended September 30, 2017, 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.

9. Equity

On May 19, 2017, the Corporation announced a normal course issuer bid (NCIB). The Corporation may purchase, for cancellation, up to a maximum 1,385,212 common shares, equal to 5 percent of the public float of 27,704,239 common shares as at May 12, 2017. The Company is also limited under the NCIB to purchasing no more than 4,496 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB will continue until May 23, 2018. 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.

During the nine months ended September 30, 2017 the Company purchased, 20,000 common shares pursuant to its NCIB at a weighted average price of $2.07 per share. The share repurchase and costs to implement the NCIB were $61.

10. Assets held for sale

Management determined that certain equipment would not be used to generate future cash flows and began actively marketing this equipment. During the period ended September 30, 2017, the Corporation reclassified $464 from property, plant and equipment to assets held for sale. Management is committed to a plan to dispose of the equipment in the next 12 months.