Condensed Consolidated Interim Financial Statements

March 31, 2018

(unaudited)

Condensed Consolidated Interim Statements of Financial Position

(Stated in thousands of Canadian dollars)
(unaudited)

As at	Note	March 31, 2018	December 31, 2017
		$	$
Assets			
Current assets			
Cash and cash equivalents		**11,823**	14,972
Restricted cash	5	**500**	2,500
Trade and other receivables		**7,164**	8,449
Inventories		**17,554**	18,330
Income taxes recoverable		**1,240**	1,513
Prepaid expenses and deposits		**902**	765
		39,183	46,529
Property, plant and equipment		**9,522**	9,042
Intangible assets		**1,242**	1,290
Deferred tax assets		**482**	577
Total assets		**50,429**	57,438
Liabilities			
Current liabilities			
Trade and other payables		**5,490**	5,563
Customer deposits		**880**	1,710
Provisions	4	**2,877**	3,363
Borrowings	5	**-**	4,930
		9,247	15,566
Provisions	4	**632**	666
Total liabilities		**9,879**	16,232
Shareholders' equity			
Share capital		**60,094**	60,126
Contributed surplus		**4,834**	4,866
Accumulated other comprehensive income		**8,737**	7,378
Accumulated deficit		**(33,115)**	(31,164)
Total shareholders' equity		**40,550**	41,206
Total liabilities and shareholders' equity		**50,429**	57,438

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	2018	2017
		$	$
Revenue		**11,243**	10,214
Cost of sales		**8,347**	8,369
Gross profit		**2,896**	1,845
General and administration		**2,263**	2,103
Sales and marketing		**797**	908
Research and development		**644**	833
Restructuring charges	4	**798**	996
Other losses, net		**286**	468
Impairment charges		**-**	348
Finance charges, net		**38**	25
		4,826	5,681
Loss before income taxes		**(1,930)**	(3,836)
Income tax expense (recovery)			
Current		**(74)**	4
Deferred		**95**	(264)
		21	(260)
Net loss		**(1,951)**	(3,576)
Other comprehensive loss			
Translation gain (loss) from foreign operations		**1,359**	(493)
Comprehensive loss		**(592)**	(4,069)
Net loss per share			
Basic from net loss		**(0.07)**	(0.13)
Diluted from net loss		**(0.07)**	(0.13)

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 per 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		-	-	-	-	(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
Balances at January 1, 2018		27,684,239	60,126	4,866	7,378	(31,164)	41,206
Net loss		**-**	**-**	**-**	**-**	**(1,951)**	**(1,951)**
Translation gain on foreign operations		**-**	**-**	**-**	**1,359**	**-**	**1,359**
Employee share-based compensation		**-**	**-**	**(32)**	**-**	**-**	**(32)**
Repurchase of shares	6	**-**	**(32)**	**-**	**-**	**-**	**(32)**
Balances at March 31, 2018		**27,684,239**	**60,094**	**4,834**	**8,737**	**(33,115)**	**40,550**

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

Condensed Consolidated Interim Statements of Cash Flows

(Stated in thousands of Canadian dollars)
(unaudited

For the three months ended March 31	Note	2018	2017
Cash (used in) generated from		**$**	$
Operating activities			
Net loss		**(1,951)**	(3,576)
Adjustments for:			
Depreciation of property, plant and equipment		**362**	662
Amortization of intangible assets		**138**	216
Income tax expense (recovery)		**21**	(260)
Finance charges, net		**38**	25
EBITDA		**(1,392)**	(2,933)
Share-based compensation		**(32)**	67
Impairment charges		**-**	348
Changes in non-cash working capital balances		**1,894**	3,958
Changes in restructuring provision	4	**(427)**	123
Income taxes recovered		**369**	66
Finance costs paid, net		**(58)**	28
Gain on disposal of property, plant and equipment		**(35)**	(34)
Net cash generated from operating activities		**319**	1,623
Investing activities			
Purchases of property, plant and equipment		**(385)**	(640)
Proceeds from sale of property, plant and equipment		**62**	35
Additions to intangible assets		**(90)**	(34)
Business combination, net		**-**	(7,985)
Net cash used in investing activities		**(413)**	(8,624)
Financing activities			
(Repayments) proceeds from borrowings, net		**(4,930)**	5,895
Repurchase of shares	6	**(32)**	-
Funds transferred from (to) restricted cash		**2,000**	(2,500)
Net cash (used in) generated from financing activities		**(2,962)**	3,395
Effect of exchange rate changes on cash and cash equivalents		**(93)**	175
Decrease in cash and cash equivalents		**(3,149)**	(3,431)
Cash and cash equivalents – beginning of the period		**14,972**	22,176
Cash and cash equivalents – end of the period		**11,823**	18,745

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, 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 relates 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 Revenue from contracts with customers, 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.

4. Restructuring provision and charges

In the first quarter of 2018, McCoy continued to move forward its strategic initiative to deliver significant operational efficiencies and re-align the Corporation's cost structure to a lower revenue environment. During the quarter, efforts were made to complete the:

(i) transition of 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 as a service and rental shop was opened in the quarter in Edmonton; and,

(ii) consolidation of McCoy's Eastern Hemisphere operations in the UAE. McCoy will continue to support the European and Asia Pacific regions with a lower cost structure model.

Restructuring charges as at and for the period ended March 31, 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**
Three months ended March 31, 2018:				
Costs recognized	54	169	575	**798**
Payments and allowances	(326)	(284)	(615)	**(1,225)**
Restructuring provisions	**953**	**280**	**400**	**1,633**
Other provisions				1,876
Total provisions				**3,509**

5. Borrowings

During the quarter 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.

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 bears interest at the lenders prime rate, plus 1.5%, and 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 consolidated statements of financial position. At March 31, 2018, the Corporation had $nil drawn against this facility.

Subsequent to March 31, 2018 the Corporation entered into a term loan agreement for $4.0 million USD. The loan is for 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.

6. 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 Corporation 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 year ended December 31, 2017, the Corporation purchased 20,000 common shares pursuant to its NCIB at a weighted average price of $2.07 per share. The share repurchases and costs to implement the NCIB were $61.

During the three months ended March 31, 2018 the Corporation purchased 22,400 common shares pursuant to its NCIB at a weighted average price of $1.38 per share for total consideration of $32. The shares were cancelled subsequent to March 31, 2018.

Subsequent to March 31, 2018, the Corporation purchased and cancelled 81,000 common shares pursuant to its NCIB at a weighted average price of $1.38 per share for total consideration of $112.