CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2019

(unaudited)

Condensed Consolidated Interim Statements of Financial Position

(Stated in thousands of Canadian dollars)
(unaudited)

As at	Note	September 30, 2019	December 31, 2018
		$	$
Assets			
Current assets			
Cash and cash equivalents		**11,600**	10,947
Restricted cash		**500**	500
Trade and other receivables		**12,267**	12,029
Inventories	4	**22,768**	27,238
Prepaid expenses and deposits		**1,043**	719
		48,178	51,433
Other receivables		**578**	476
Property, plant and equipment	5,6	**10,490**	7,824
Intangible assets	6	**1,893**	9
Total assets		**61,139**	59,742
Liabilities			
Current liabilities			
Trade and other payables		**7,714**	9,726
Customer deposits		**1,407**	2,389
Provisions	7	**2,383**	1,901
Lease liabilities	5	**1,083**	-
Borrowings	8	**1,308**	1,364
		13,895	15,380
Provisions	7	**128**	544
Lease liabilities	5	**2,500**	-
Borrowings	8	**5,371**	3,411
Total liabilities		**21,894**	19,335
Shareholders' equity			
Share capital	9	**59,589**	59,695
Contributed surplus		**5,346**	5,125
Accumulated other comprehensive income		**9,093**	10,542
Accumulated deficit		**(34,783)**	(34,955)
Total shareholders' equity		**39,245**	40,407
Total liabilities and shareholders' equity		**61,139**	59,742

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)

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

	Note	Three months ended September 30		Nine months ended September 30	
		2019	2018	**2019**	2018
		$	$	**$**	$
Revenue		**15,222**	13,899	**41,517**	35,533
Cost of sales		**10,258**	10,124	**29,132**	27,039
Gross profit		**4,964**	3,775	**12,385**	8,494
General and administration		**1,982**	1,850	**6,749**	6,444
Sales and marketing		**544**	627	**1,752**	2,063
Research and development		**784**	720	**2,390**	2,241
Finance charges, net		**217**	92	**422**	191
Other losses, net	7d	**199**	210	**900**	74
Impairment charges		**-**	-	**-**	902
Restructuring charges		**-**	15	**-**	939
		3,726	3,514	**12,213**	12,854
Earnings (loss) before income taxes		**1,238**	261	**172**	(4,360)
Income tax expense (recovery)					
Current		**-**	-	**-**	(243)
Deferred		**-**	78	**-**	605
		-	78	**-**	362
Net earnings (loss)		**1,238**	183	**172**	(4,722)
Other comprehensive income (loss)					
Translation gain (loss) of foreign operations		**515**	(592)	**(1,449)**	1,439
Comprehensive income (loss)		**1,753**	(409)	**(1,277)**	(3,283)
Earnings (loss) per share					
Basic from net earnings (loss)		**0.04**	0.01	**0.01**	(0.17)
Diluted from net earnings (loss)		**0.04**	0.01	**0.01**	(0.17)

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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	Share capital	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Total equity
		#	$	$	$	$	$
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		-	-	8	-	-	8
Repurchase of shares		(129,700)	(396)	179	-	-	(217)
Balances at September 30, 2018		27,554,539	59,730	5,053	8,817	(35,886)	37,714
Balances at January 1, 2019		27,485,939	59,695	5,125	10,542	(34,955)	40,407
Net earnings		**-**	**-**	**-**	**-**	**172**	**172**
Translation loss on foreign operations		**-**	**-**	**-**	**(1,449)**	**-**	**(1,449)**
Employee share-based compensation		**-**	**-**	**104**	**-**	**-**	**104**
Issuance of common shares under restricted share plan		**146,000**	**79**	**-**	**-**	**-**	**79**
Repurchase of shares	9	**(85,200)**	**(185)**	**117**	**-**	**-**	**(68)**
Balances at September 30, 2019		**27,546,739**	**59,589**	**5,346**	**9,093**	**(34,783)**	**39,245**

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)

	Note	Three months ended September 30		Nine months ended September 30	
		2019	2018	**2019**	2018
Cash generated from (used in)		**$**	$	**$**	$
Operating activities					
Net earnings (loss)		**1,238**	183	**172**	(4,722)
Adjustments for:					
Depreciation of property, plant and equipment		**688**	411	**2,006**	2,195
Amortization of intangible assets		**1**	147	**5**	439
Income tax expense		**-**	78	**-**	362
Finance charges, net		**217**	92	**422**	191
Share-based compensation		**25**	(31)	**154**	63
Impairment charges		**-**	-	**-**	902
Gain on disposal of property, plant and equipment		**-**	-	**(88)**	(80)
Changes in non-cash working capital balances		**(1,593)**	(1,460)	**173**	(3,214)
Change in restructuring and facility remediation provisions	7	**(157)**	(14)	**286**	(1,193)
Finance costs paid, net		**(169)**	2	**(434)**	(55)
Income taxes recovered, net		**-**	1,398	**-**	1,767
Net cash generated from (used in) operating activities		**250**	806	**2,696**	(3,345)
Investing activities					
Purchases of property, plant and equipment	6	**-**	(371)	**(1,363)**	(1,056)
Proceeds from sale of property, plant and equipment		**-**	21	**292**	142
Additions to intangible assets	6	**(559)**	-	**(1,889)**	(198)
Net cash used in investing activities		**(559)**	(350)	**(2,960)**	(1,112)
Financing activities					
Proceeds from borrowings	8	**3,078**	-	**3,078**	5,147
Repayments of borrowings		**(329)**	(431)	**(993)**	(5,361)
Repurchase of shares	9	**(2)**	(62)	**(68)**	(217)
Proceeds from issuance of common shares under restricted share plan		**79**	-	**79**	-
Principal elements of lease payments		**(306)**	-	**(685)**	-
Funds transferred from restricted cash		**-**	-	**-**	2,000
Net cash generated from (used in) financing activities		**2,520**	(493)	**1,411**	1,569
Effect of exchange rate changes on cash and cash equivalents		**214**	(316)	**(494)**	181
Increase (decrease) in cash and cash equivalents		**2,425**	(353)	**653**	(2,707)
Cash and cash equivalents – beginning of the period		**9,175**	12,618	**10,947**	14,972
Cash and cash equivalents – end of the period		**11,600**	12,265	**11,600**	12,265

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, 2019
(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, 2018, 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.

New accounting pronouncements adopted in 2019

IFRS 16, Leases

The Corporation adopted IFRS 16 retrospectively from January 1, 2019 but has not restated comparatives for 2018 as permitted by the transitional provisions of the standard. The reclassifications and adjustments arising from adoption are recognized in the opening statement of financial position on January 1, 2019. The Corporation reviewed all the current and new leases and recognized them on the statement of financial position, as the distinction between operating and finance leases under the principles of IAS 17 is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay contractual amounts are recognized.

The adoption of IFRS 16 will impact the Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss) by replacing operating expenses with finance cost and depreciation. Key metrics like EBITDA will also be impacted from the change in accounts. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. The impact of adoption is further disclosed in note 5.

The Corporation leases several properties with a range of terms and conditions. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to earnings or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3. Fair value of financial assets and liabilities

The fair value of cash and cash equivalents, trade and other receivables, trade and other payables and current provisions approximates their carrying value due to their short-term nature. The fair value of non-current other receivables approximates the carrying amount as the receivables have been recorded using the effective interest rate method using a market rate of interest. The fair value of borrowings approximates the carrying amount as the instrument carries interest rates that reflect the current market rates available to the Corporation.

4. Inventories

The net realizable value of capital equipment and related accessories included in inventories was assessed on an individual product 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 nine months ended September 30, 2019, a recovery of $795 was recognized relating to inventory writedown reversals (three months ended September 30, 2019 – recovery of $155). During the nine months ended September 30, 2018, a recovery of $1,010 was recognized relating to inventory writedown reversals (three months ended September 30, 2018 – recovery of $418).

5. Leases

On adoption of IFRS 16, the Corporation recognized lease liabilities in relation to contractual lease payments. These liabilities were measured at present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.00% and 7.82% for the Canadian and U.S. leases, respectively.

There was no impact to lessor accounting from the adoption of IFRS 16.

	2019
	$
Operating lease commitments disclosed as at December 31, 2018	5,337
Discounted using the lessee's incremental borrowing rate at date of initial application	(677)
Less: short-term leases recognized on a straight-line basis as expense	(168)
Less: other commitments previously disclosed	(110)
Lease liability recognized as at January 1, 2019	**4,382**
Current	968
Non-current	3,414

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position as at December 31, 2018. Onerous lease contracts recorded as at December 31, 2018 resulted in an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following type of assets:

	September 30, 2019	January 1, 2019
	$	$
Properties	**3,032**	3,800
Total right-of-use assets	**3,032**	3,800

The impact of adopting IFRS 16 as at January 1, 2019 is as follows:

	Right-of-use assets	Provisions	Lease liabilities
	$	**$**	**$**
Balance as at December 31, 2018	-	2,445	-
IFRS 16 adjustments	**3,800**	**(582)**	**4,382**
Balance as at January 1, 2019	**3,800**	**1,863**	**4,382**

Right-of-use assets are recorded as part of property, plant and equipment on the Condensed Consolidated Interim Statements of Financial Position.

In applying IFRS 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

i. the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
ii. reliance on previous assessments on whether leases are onerous;
iii. the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
iv. the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Corporation has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Corporation relied on its assessment made applying IAS 17, *Leases* and IFRIC 4, *Determining whether an Arrangement contains a Lease*.

Amounts recognized in the Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss):

	Three months ended September 30, 2019	Nine months ended September, 2019
	$	$
Depreciation charge of right-of use asset	245	694
Finance charges	66	198

The adoption of IFRS 16 required management to make estimates and judgments about the future that affects the reported amounts of assets, liabilities and disclosures at the date of the Condensed Consolidated Interim Statements of Financial Position. These critical judgments include the following:

(i) Critical judgments in determining the lease term

Extension options are included in a number of property leases within the Corporation. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(ii) Critical estimates in determining the incremental borrowing rate

The Corporation makes estimates in determining the incremental borrowing rate used to measure the lease liability for each lease contract. The incremental borrowing rate should reflect the interest that the Corporation would have to pay to borrow at a similar term with similar security.

6. Property, Plant and Equipment (PPE) and Intangible Assets

During the nine months ended September 30, 2019, the Corporation recorded $1,005 of additions to its rental fleet comprised of equipment capitalized from inventory and $358 of additions to machinery and office equipment (nine months ended September 30, 2018 – $993 of additions to the Corporation's rental fleet and $63 of additions to machinery and office equipment).

During the nine months ended September 30, 2019, the Corporation recorded $1,889 of additions to intangible assets pertaining to costs incurred to develop internally generated intellectual property related to the Corporation's 'Digital Technology Roadmap', a cloud-based platform that delivers data to the Corporation's customers remotely and in real-time (nine months ended September 30, 2018 – $198 of additions to internally generated intellectual property).

Costs incurred on product development are capitalized as intangible assets when it is probable the development will provide economic benefits, considering its commercial and technical feasibility, the resources available for development and that costs can be measured reliably. While in development, internally generated intellectual property is not amortized until it has reached commercial production.

7. Provisions

	Warranty	Legal	Restructuring	Facility remediation	Total
	$	$	$	$	$
Balances as at January 1, 2018	617	303	2,060	1,049	4,029
Provisions made during the year	474	106	1,004	-	1,584
Provisions utilized during the year	(472)	(263)	(2,401)	(55)	(3,191)
Change in estimate	-	(146)	-	-	(146)
Foreign exchange	102	-	67	-	169
Balances as at December 31, 2018	721	-	730	994	2,445
Transitional impact of IFRS 16	**-**	**-**	**(582)**	**-**	**(582)**
Provisions made during the year	**504**	**147**	**-**	**628**	**1,279**
Provisions utilized during the year	**(270)**	**(19)**	**(39)**	**(303)**	**(631)**
Balances as at September 30, 2019	**955**	**128**	**109**	**1,319**	**2,511**
Expected to be utilized within one year	955	-	109	1,319	2,383
Expected to be utilized thereafter	-	128	-	-	128

a) Warranty

The warranty provision relates to the expected cost of meeting warranty obligations. Judgment related to the provisions is based on historical data and other known information and is an estimate of the warranty required for products sold on or before the reporting date.

b) Legal

In the normal course of the Corporation's business, it may become involved in, named as a party to, or be the subject of, various legal proceedings related to personal injuries, environmental claims, property damage, contractual disputes, patent infringement and regulatory matters, among others. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and, as a result, could have a material adverse effect on the Corporation's financial performance, financial position and liquidity. Losses, if any, may be covered by the Corporation's insurance.

c) Restructuring

During the year ended December 31, 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.

Onerous lease provisions have been deducted from the right-of-use asset on adoption of IFRS 16 in line with the allowable practical expedient (note 5).

d) Facility remediation

The Corporation leases premises, which are required to be returned to the landlord at the end of the lease in accordance with the terms of the lease agreement, including remediation of any deficiencies incurred as a result of carrying out business activities. In addition, as part of a prior business divestiture, the Corporation has indemnified the purchaser with respect to a leased premise associated with the divestiture. The facility remediation provision is based on management's estimate of the expected costs of restoring its locations or former locations to a condition that is in accordance with lease terms. When available, costs are estimated based on management's assessment of third party quotations to complete the required remediation efforts. If third party quotations are not available, management has used the best information available to assess the future costs to be incurred by the Corporation. Judgment related to these future costs is based on uncertainty regarding the full extent of the required costs to complete. During the nine months ended September 30, 2019, the Corporation recorded an additional provision for remediation costs based on the current information available to management in other losses, net.

8. Borrowings

On September 27, 2019, the Corporation entered into a US denominated loan agreement for $3,177 (USD$2.4 million) secured by certain of its US real estate assets. The loan is repayable on or before October 1, 2021; however, the facility may be repaid at any time without penalty. The loan interest is due and payable on the first of every consecutive calendar month. Interest is calculated at the US Prime Rate plus 7.00% (September 30, 3019 – 12.25%), but in no event to be less than 12.25%. Under the terms of the loan agreement, the Corporation's wholly owned subsidiary, McCoy Global USA, Inc., is subject to a financial covenant minimum debt coverage ratio of 1.1:1. The Corporation incurred transaction costs of $99 in connection with securing the loan, for net proceeds of $3,078. There have been no other changes to the Corporation's financing arrangements during 2019.

9. Equity

On May 31, 2019, the Corporation announced the renewal of its normal course issuer bid (NCIB). The Corporation may purchase, for cancellation, up to a maximum 1,371,422 common shares, equal to five percent of the public float of 27,428,439 common shares as at May 23, 2019. The Corporation is also limited under the NCIB to purchasing no more than 1,910 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB will continue until June 4, 2020. 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 March 31, 2019	Three months ended June 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2019	Year ended December 31, 2018
Shares repurchased	#	25,500	57,800	1,900	85,200	198,300
Weighted average cost per share	$	0.93	0.74	0.67	0.78	1.34
Total cost	$	23	43	2	68	265

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

10. Subsequent Event – Business Acquisition

On October 2, 2019, the Corporation acquired through a business combination, the outstanding partnership units of DrawWorks LP ("DrawWorks"). DrawWorks designs, tests and sells tubular running technologies.

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.

The aggregate consideration given and fair values of net assets acquired in the acquisition of DrawWorks are estimated to be as follows:

	October 2, 2019
	$
Purchase consideration:	
Cash consideration, net	5,859
Promissory note, bearing interest at 5.25%, repayable in quarterly instalments over 18 months	1,994
Total consideration	7,853
Identifiable assets acquired:	
Trade and other receivables	394
Inventories	1,966
Property, plant and equipment	332
Intangible assets and goodwill	6,030
Identifiable liabilities assumed:	
Trade and other payables	526
Customer deposits	343
Total net identifiable assets	7,853

All amounts above are considered provisional and are subject to revision based on finalization of valuation procedures, expected to occur during the fourth quarter of 2019. In particular, it is expected that certain intangible assets with finite lives will be identified and separated from goodwill.

The Corporation incurred closing costs of $136 to complete the acquisition which is included in total consideration.

The fair value of acquired trade receivables is $394, which represents the gross contractual amount of $503, net of $109 in allowances for doubtful accounts.