CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2020

(unaudited)

Notice to Reader:

As required by National Instrument 51-102, Part 4, subsection 4.3(3)(a), readers are advised that the Company's independent auditors have not performed a review of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Financial Position

(Stated in thousands of Canadian dollars)
(unaudited)

As at	Note	March 31, 2020	December 31, 2019
		$	$
Assets			
Current assets			
Cash and cash equivalents		**8,608**	8,382
Restricted cash		**500**	500
Trade and other receivables		**10,399**	8,791
Inventories	4	**25,540**	23,031
Prepaid expenses and deposits		**651**	664
		45,698	41,368
Other receivables		**138**	319
Property, plant and equipment	5,7	**10,558**	9,825
Intangible assets	6,7	**4,929**	4,567
Goodwill	7	**3,879**	3,551
Total assets		**65,202**	59,630
Liabilities			
Current liabilities			
Trade and other payables		**6,526**	5,584
Customer deposits		**4,724**	3,148
Provisions	8	**1,185**	1,539
Current lease liabilities		**1,203**	1,097
Borrowings		**2,767**	2,533
		16,405	13,901
Provisions	8	**57**	58
Lease liabilities		**2,004**	2,164
Borrowings		**5,488**	5,657
Total liabilities		**23,954**	21,780
Shareholders' equity			
Share capital	9	**59,636**	59,636
Contributed surplus		**5,460**	5,384
Accumulated other comprehensive income		**10,961**	7,552
Accumulated deficit		**(34,809)**	(34,722)
Total shareholders' equity		**41,248**	37,850
Total liabilities and shareholders' equity		**65,202**	59,630

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

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

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

For the three months ended March 31	Note	2020	2019
		$	$
Revenue		**11,323**	14,840
Cost of sales	4	**8,026**	10,270
Gross profit		**3,297**	4,570
General and administration		**1,716**	2,361
Sales and marketing		**437**	792
Research and development		**853**	612
Finance charges, net		**233**	147
Other losses, net		**145**	134
		3,384	4,046
(Loss) earnings before income taxes		**(87)**	524
Income tax expense		**-**	-
Net (loss) earnings		**(87)**	524
Other comprehensive gain (loss)			
Translation gain (loss) from foreign operations		**3,409**	(808)
Comprehensive earnings (loss)		**3,322**	(284)
Net (loss) earnings per share			
Basic from net (loss) earnings		**(0.00)**	0.02
Diluted from net (loss) earnings		**(0.00)**	0.02

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	Share capital	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Total equity
		#	$	$	$	$	$
January 1, 2019		27,485,939	59,695	5,125	10,542	(34,955)	40,407
Net earnings		-	-	-	-	524	524
Translation loss on foreign operations		-	-	-	(808)	-	(808)
Employee share-based compensation		-	-	12	-	-	12
Repurchase of shares	9	(25,500)	(55)	32	-	-	(23)
March 31, 2019		27,460,439	59,640	5,169	9,734	(34,431)	40,112
January 1, 2020		**27,630,989**	**59,636**	**5,384**	**7,552**	**(34,722)**	**37,850**
Net loss		**-**	**-**	**-**	**-**	**(87)**	**(87)**
Translation gain on foreign operations		**-**	**-**	**-**	**3,409**	**-**	**3,409**
Employee share-based compensation		**-**	**-**	**76**	**-**	**-**	**76**
March 31, 2020		**27,630,989**	**59,636**	**5,460**	**10,961**	**(34,809)**	**41,248**

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	2020	2019
Cash generated from (used in)		**$**	$
Operating activities			
Net loss (earnings)		**(87)**	524
Adjustments for:			
Depreciation of property, plant and equipment		**717**	627
Amortization of intangible assets	6	**215**	4
Finance charges, net		**233**	134
Share-based compensation expense		**6**	83
Changes in non-cash working capital balances		**776**	(962)
Changes in restructuring and facility remediation provisions	8	**(397)**	(14)
Finance costs paid, net		**(235)**	(155)
Net cash generated from operating activities		**1,228**	241
Investing activities			
Purchases of property, plant and equipment	5	**(717)**	(186)
Proceeds from sale of property, plant and equipment		**-**	12
Additions to intangible assets	6	**(160)**	(529)
Net cash used in investing activities		**(877)**	(703)
Financing activities			
Repayments of borrowings		**(680)**	(330)
Repurchase of common shares	9	**-**	(23)
Principal elements of lease payments		**(278)**	(210)
Net cash used in financing activities		**(958)**	(563)
Effect of exchange rate changes on cash and cash equivalents		**833**	(166)
Increase (decrease) in cash and cash equivalents		**226**	(1,191)
Cash and cash equivalents – beginning of the period		**8,382**	10,947
Cash and cash equivalents – end of the period		**8,608**	9,756

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, 2020
(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 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 and technologies.

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, 2019, 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.

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 and non-current provisions approximates the carrying amount as the instruments carry interest rates that reflect the current market rates available to the Corporation.

4. Inventories

	March 31, 2020			December 31, 2019		
As at	Gross inventories	Provision for excess and obsolescence	Net inventories	Gross inventories	Provision for excess and obsolescence	Net inventories
	$	$	$	$		$
Raw materials	**1,886**	**(346)**	**1,540**	1,822	(116)	1,706
Work-in-progress	**3,070**	**-**	**3,070**	1,890	-	1,890
Parts to be used in production	**15,602**	**(6,065)**	**9,537**	14,170	(5,176)	8,994
Production inventory	**20,558**	**(6,411)**	**14,147**	17,882	(5,292)	12,590
Finished goods available for sale	**12,268**	**(875)**	**11,393**	11,173	(732)	10,441
	32,826	**(7,286)**	**25,540**	29,055	(6,024)	23,031

$2,130 of the increase in inventories from December 31, 2019 to March 31, 2020 relates to foreign exchange. Included in cost of sales for the three months ended March 31, 2020 is a provision for excess and obsolete inventory of $690 (three months ended March 31, 2019 - recovery of $806) to adjust inventories to net realizable value. The provision for excess and obsolete inventory recorded during the three months ended March 31, 2020 includes a charge incremental to the methodology described below of $630 for certain parts and accessories related to product lines whose sales forecasts are expected to be more severely impacted by the current economic environment as described in note 7.

Judgment was used in assessing the net realizable value of inventory. The net realizable value of capital equipment and related accessories included in inventories was assessed on an individual product basis. 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. The estimated net recoverable value is determined using a formulaic approach taking into account historical movement of the distinct parts and other factors. 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. Clear evidence of an increase in net realizable value includes, but is not limited to, increased sales or usage in production at a distinct part level. The maximum amount of any reversal is the original writedown, such that the new carrying amount is the lower of cost and the revised net realizable value.

5. Property, Plant and Equipment (PPE)

During the three months ended March 31, 2020, the Corporation recorded $717 of additions to its rental fleet comprised of equipment capitalized from inventory (three months ended March 31, 2019 – $186 of additions to the Corporation's rental fleet).

PPE includes right-of-use assets of $2,642 as at March 31, 2020 ($2,714 as at December 31, 2019).

6. Intangible Assets

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.

During the three months ended March 31, 2020, the Corporation recorded $160 of additions to intangible assets pertaining to costs incurred to develop internally generated intellectual property related to the development of a digitally integrated casing running package.

During the three months ended March 31, 2019, the Corporation recorded $529 of additions to intangible assets pertaining to costs incurred to develop internally generated intellectual property related to the first phase of the Corporation's 'Digital Technology Roadmap', a cloud-based platform that delivers data to the Corporation's customers remotely and in real-time and the digital infrastructure to enable future digital product offerings and enhancements.

For the three months ended March 31, 2020, amortization of $118 pertaining to development costs for the first two products developed under the first phase of the 'Digital Technology Roadmap' was recognized in cost of sales (three months ended March 31, 2019 – $nil). For the three months ended March 31, 2020, amortization of $97 pertaining to intellectual property acquired in connection with the acquisition of DrawWorks LP in the third quarter of 2019 was recognized in cost of sales (three months ended March 31, 2019 – $nil). For the three months ended March 31, 2020, amortization pertaining to software and other items amounted to $nil (three months ended March 31, 2019 - $4).

7. Impairment of Non-Financial Assets

Long-lived assets include property, plant and equipment, intangible assets and goodwill. The carrying value of these assets is periodically reviewed for impairment (goodwill at least annually) or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Judgment is required in the aggregation of assets into cash generating units ("CGUs"). The recoverable amounts of CGUs are determined based on the greater of fair value less cost to sell and value-in-use calculations. These calculations require the use of estimates and judgments, including an estimation of the future cash flows from the CGU or group of CGUs, and judgment is required in determining the appropriate discount rate. In deriving the underlying projected cash flows, assumptions must also be made about the impact of future drilling activity on revenues, operating margins and market conditions over the useful lives of the assets or CGUs. Although estimates are consistent with current industry reports, internal planning and expected future operations, such estimations are subject to uncertainty and judgment. The Corporation reviews the carrying value of its non-financial assets at each reporting period for indicators of impairment.

During the three months ended March 31, 2020, the oil and gas industry experienced an unprecedented disruption, as a result of the substantial decline in global demand for oil caused by the coronavirus ("COVID-19") pandemic and subsequent mitigation efforts, and disagreements between the Organization of Petroleum Exporting Countries and other oil producing nations ("OPEC+") in February 2020 regarding limits on production of oil. Drilling activity declined in the face of depressed crude oil pricing, with global rig counts continuing to decline into April 2020. These market conditions will significantly impact the Corporation's business and financial projections. The Corporation determined this was an indicator of impairment and performed an assessment of the carrying values of non-financial assets. The recoverable amounts of non-financial assets were estimated based on their value in use, determined by discounting estimated future cash flows expected to be generated by the assets or CGU to which they were assigned.

Key assumptions used in the estimation of value in use included the after-tax discount rate of 17% and management expectation of future outcomes and market conditions, including forecasted North American and international rig and well counts. Based on industry forecasts and other factors, average projected annual revenue growth rate from over the next five years was estimated at 1.41% per annum.

Discount rates were derived from the Corporation's estimated weighted average cost of capital. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are after-tax and reflect specific risks relating to the Corporation. The process for determining recoverable amounts is subjective and requires management to exercise a significant amount of judgment in determining future growth rates, discount rates and tax implications. Upon completion of the impairment assessment, it was determined that no impairment was to be recognized on the Corporation's non-financial assets. Any significant adverse changes in future periods to internal forecasts employed in the model or the external market conditions, if any, could reasonably be expected to negatively affect key assumptions employed in the model and may result in future impairment charges which could be material.

8. PROVISIONS

	Warranty	Legal	Restructuring	Facility remediation	Total
	$	$	$	$	$
January 1, 2019	721	-	730	994	2,445
Transitional impact of IFRS 16	-	-	(582)	-	(582)
Provisions made during the year	229	147	-	614	990
Provisions utilized during the year	(304)	(25)	(51)	(951)	(1,331)
Assumed under business combination	126	-	-	-	126
Foreign exchange	(51)	-	-	-	(51)
December 31, 2019	**721**	**122**	**97**	**657**	**1,597**
Provisions made during the year	**60**	**-**	**-**	**-**	**60**
Provisions utilized during the year	**(31)**	**(65)**	**(2)**	**(395)**	**(493)**
Foreign exchange	**78**	**-**	**-**	**-**	**78**
March 31, 2020	**828**	**57**	**95**	**262**	**1,242**
Expected to be utilized within one year	828	-	95	262	1,185
Expected to be utilized thereafter	-	57	-	-	57

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 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 outcomes 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

Restructuring provisions relate to certain unavoidable operation costs associated with onerous leases that were recognized in conjunction with the Corporation's restructuring plans announced in 2018. Onerous lease provisions specifically for the leased premise itself have been deducted from the right-of use asset upon adoption of *IFRS 16 - Leases* in line with the allowable practical expedient.

d) FACILITY REMEDIATION

The Corporation leased premises, which were 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. As part of a prior business divestiture, the Corporation indemnified the purchaser with respect to a leased premise associated with the divestiture. Effective March 31, 2020 a release and settlement agreement was reached between the Corporation, the purchaser and the landlord with respect to the leased premises. The balance remaining as at March 31, 2020 relates to balances due but not yet disbursed related to the settlement agreement.

9. Equity

On May 30, 2018, the Corporation announced a normal course issuer bid ("NCIB"). Under the NCIB the Corporation was permitted to purchase, for cancellation, up to a maximum of 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 was 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 continued until June 4, 2019. Purchases were made on the open market through the TSX or alternative platforms at the market price of such shares. All shares purchased under the NCIB were cancelled.

On May 31, 2019, the Corporation announced the renewal of its NCIB. Under the current NCIB, the Corporation may purchase, for cancellation, up to a maximum of 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.

Transactions under the NCIB were as follows:

Three months ended		March 31, 2020	March 31, 2019
Shares repurchased		-	25,500
Weighted average cost	$	-	0.92
Total cost	$	-	23

Total cost includes share repurchase amount and costs to implement the NCIB. As at March 31, 2019, 25,500 shares were repurchased and not yet cancelled.

10. COVID-19 – Impact and Subsequent Events

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Governments worldwide, including those countries in which the Corporation operates, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused a material disruption to businesses globally resulting in an economic slowdown and decreased demand for oil.

Although the duration and magnitude of the pandemic is uncertain, the current market environment, as further described in note 7, may have a significant adverse impact on the Corporation including, but not limited to, substantial reductions in revenue and cash flows, increased risk of non-payment of accounts receivable and future impairments of inventory, property, plant and equipment, intangible assets and goodwill. Estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period. Any significant adverse changes to these factors may further impact the Corporation's operating plan and results, its liquidity and cash flows and the valuation of long-lived assets.

In response to this uncertainty the Corporation has completed the following actions to support ongoing liquidity subsequent to March 31, 2020:

a) Restructuring

Subsequent to March 31, 2020, the Corporation announced the following restructuring measures:

- Reductions in force, throughout all functions of the Corporation,
- Salary and wage reductions across all levels of the organization,
- Reductions to budgeted capital expenditure for rental fleet additions and production equipment,
- Reductions to budgeted capital expenditures on the Corporation's 'Digital Technology Roadmap the Corporation will continue to deploy internal resources to advance the development of this strategic initiative, and
- Additional reductions to G&A overhead expenditures, non-essential travel and other discretionary spending.

b) FINANCIAL ASSISTANCE

Subsequent to March 31, 2020, the Corporation received approval and funding under its application for a US Paycheck Protection Program Loan (PPP) of $2,785 (US$1,963). The loan bears interest at 0.98% and matures on April 16, 2021. A portion of the loan proceeds may be forgivable in accordance with certain US Treasury guidelines. The Corporation estimates that US$1,100 of the loan proceeds may be forgiven if approved.