CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2022

(unaudited)

Notice to Reader:

As required by National Instrument 51-102, Part 4, subsection 4.3(3)(a), readers are advised that the Corporation'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	June 30, 2022	December 31, 2021
		$	$
Assets			
Current assets			
Cash and cash equivalents		**7,652**	11,139
Restricted cash	7	**775**	885
Trade and other receivables		**11,530**	6,030
Inventories	4	**17,451**	15,518
Prepaid expenses and deposits		**1,576**	873
		38,984	34,445
Other receivables		**39**	39
Property, plant and equipment	5	**9,654**	10,117
Intangible assets	6	**7,175**	7,070
Goodwill		**3,523**	3,467
Total assets		**59,375**	55,138
Liabilities			
Current liabilities			
Trade and other payables		**6,431**	4,897
Customer deposits		**2,601**	1,819
Current provisions		**644**	598
Current lease liabilities		**699**	569
Current borrowings	7	**1,607**	504
		11,982	8,387
Lease liabilities		**2,740**	3,051
Borrowings	7	**2,673**	3,690
Total liabilities		**17,395**	15,128
Shareholders' equity			
Share capital		**60,078**	59,993
Contributed surplus		**5,689**	5,682
Accumulated other comprehensive income		**7,807**	7,154
Accumulated deficit		**(31,594)**	(32,819)
Total shareholders' equity		**41,980**	40,010
Total liabilities and shareholders' equity		**59,375**	55,138

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

Condensed Consolidated Interim Statements of Earnings and Comprehensive Earnings

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

		Three months ended June 30		Six months ended June 30	
		2022	2021	**2022**	2021
		$	$	**$**	$
Revenue		**12,863**	6,086	**21,754**	13,460
Cost of sales		**8,786**	4,520	**14,985**	9,682
Gross profit		**4,077**	1,566	**6,769**	3,778
General and administration		**1,560**	1,520	**3,155**	3,087
Research and development		**787**	414	**1,383**	842
Sales and marketing		**498**	364	**850**	710
Finance charges, net		**183**	242	**359**	447
Other gains, net	8	**(2)**	(2,125)	**(203)**	(2,301)
		3,026	415	**5,544**	2,785
Earnings before income taxes		**1,051**	1,151	**1,225**	993
Income tax expense		**-**	-	**-**	-
Net earnings		**1,051**	1,151	**1,225**	993
Other comprehensive earnings (loss)					
Translation gain (loss)		**1,223**	(468)	**653**	(870)
Comprehensive earnings		**2,274**	683	**1,878**	123
Net earnings per share					
Basic		**0.04**	0.04	**0.04**	0.04
Diluted		**0.04**	0.04	**0.04**	0.03

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)

	Issued capital					
	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Total equity
	#	$	$	$	$	$
Balances at January 1, 2021	27,802,489	59,712	5,560	7,129	(36,897)	35,504
Net earnings	-	-	-	-	993	993
Translation loss on foreign operations	-	-	-	(870)	-	(870)
Employee share-based compensation	-	-	72	-	-	72
Issuance of common hares under restricted share plan	7,500	4	-	-	-	4
Balances at June 30, 2021	**27,809,989**	**59,716**	**5,632**	**6,259**	**(35,904)**	**35,703**
Balances at January 1, 2022	**28,224,989**	**59,993**	**5,682**	**7,154**	**(32,819)**	**40,010**
Net earnings	**-**	**-**	**-**	**-**	**1,225**	**1,225**
Translation gain on foreign operations	**-**	**-**	**-**	**653**	**-**	**653**
Employee share-based compensation	**-**	**-**	**16**	**-**	**-**	**16**
Issuance of common shares under stock option plan	**20,000**	**22**	**(9)**	**-**	**-**	**13**
Issuance of common shares under restricted share plan	**72,500**	**63**	**-**	**-**	**-**	**63**
Balances at June 30, 2022	**28,317,489**	**60,078**	**5,689**	**7,807**	**(31,594)**	**41,980**

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)

		Three months ended June 30		Six months ended June 30	
	Note	**2022**	2021	**2022**	2021
Cash (used in) generated from		**$**	$	**$**	$
Operating activities					
Net earnings		**1,051**	1,151	**1,225**	993
Adjustments for:					
Depreciation of property, plant and equipment		**440**	490	**1,036**	992
Amortization of intangible assets		**269**	194	**469**	394
Finance charges, net		**183**	242	**359**	447
Share-based compensation		**121**	334	**375**	519
Gain on disposal of property, plant and equipment		**-**	-	**(269)**	(97)
Changes in non-cash working capital balances	9	**(4,165)**	(1,667)	**(5,695)**	(2,694)
Change in restructuring and facility remediation provisions		**(7)**	-	**(16)**	(56)
Finance costs paid, net		**(263)**	(183)	**(428)**	(380)
Amounts forgiven under US Paycheck Protection Program	7, 8	**-**	(2,369)	**-**	(2,369)
Net cash used in operating activities		**(2,371)**	(1,808)	**(2,944)**	(2,251)
Investing activities					
Purchases of property, plant and equipment	5	**(246)**	-	**(505)**	(35)
Proceeds from sale of property, plant and equipment		**-**	40	**351**	148
Additions to intangible assets	6	**(101)**	(493)	**(459)**	(844)
Net cash used in investing activities		**(347)**	(453)	**(613)**	(731)
Financing activities					
Proceeds from borrowings under US Paycheck Protection Program	7	**-**	-	**-**	2,468
Proceeds from borrowings	7	**-**	-	**-**	1,269
Proceeds from issuance of common shares from stock options		**-**	-	**13**	-
Proceeds from issuance of common shares under restricted share plan		**58**	-	**63**	4
Repayments of borrowings		**-**	(291)	**-**	(607)
Principal elements of lease payments		**(126)**	(95)	**(231)**	(189)
Funds transferred (to) from restricted cash	7	**-**	(775)	**110**	(775)
Net cash (used in) generated from financing activities		**(68)**	(1,161)	**(45)**	2,170
Effect of exchange rate changes on cash and cash equivalents		**258**	(293)	**115**	(414)
Decrease in cash and cash equivalents		**(2,528)**	(3,715)	**(3,487)**	(1,226)
Cash and cash equivalents – beginning of the period		**10,180**	14,625	**11,139**	12,136
Cash and cash equivalents – end of the period		**7,652**	10,910	**7,652**	10,910

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 six months ended June 30, 2022
(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 globally.

The Corporation is engaged in the following:

- design, production and distribution of capital equipment to support tubular running operations, enhance wellbore integrity and to support capital equipment sales through aftermarket products and services such as technical support, consumables and replacement parts;
- 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;
- repair, maintenance and calibration of the Corporation's capital equipment and similar competitor products; and
- 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. BASIS OF PRESENTATION

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, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 and trade and other payables 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 instruments carry interest rates that reflect the current market rates available to the Corporation.

4. Inventories

	June 30, 2022			December 31, 2021		
As at	Gross inventories	Provision for excess and obsolescence	Net inventories	Gross inventories	Provision for excess and obsolescence	Net inventories
	$	**$**	**$**	$		$
Raw materials	**1,252**	**(409)**	**843**	1,238	(315)	923
Work-in-progress	**2,339**	**-**	**2,339**	1,754	-	1,754
Parts to be used in production	**11,569**	**(3,592)**	**7,977**	10,602	(3,391)	7,211
Production inventory	**15,160**	**(4,001)**	**11,159**	13,594	(3,706)	9,888
Capital equipment available for sale	**2,223**	**(333)**	**1,890**	1,640	(372)	1,268
Parts and accessories available for sale	**7,002**	**(2,600)**	**4,402**	6,655	(2,293)	4,362
	24,385	**(6,934)**	**17,451**	21,889	(6,371)	15,518

Production inventories are purchased or produced for use in the production of finished goods. Finished goods available for sale consist of capital equipment and parts and accessories inventories that are available for sale to external parties.

Included in cost of sales for the six months ended June 30, 2022 is a provision for excess and obsolete inventory of $496 (three months ended June 30, 2022 – $234) to adjust inventories to net realizable value. Included in cost of sales for the six months ended June 30, 2021 is a recovery for excess and obsolete inventory of $196 (three months ended June 30, 2021 – $112) to adjust inventories to net realizable value. A writedown is taken if management determines that the carrying value of the inventory item(s) exceed net realizable 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 write-down is reversed. The maximum amount of any reversal is the original write-down, such that the new carrying amount is the lower of cost or the revised net realizable value.

The net realizable value of capital equipment included in inventories is assessed on an individual product basis considering current market prices for the equipment and management's assessment of forecasted demand. All other items in inventory are assessed for obsolescence at a distinct part level. The estimated net realizable value of these items is determined using a formulaic approach, providing for items that have not been sold or utilized in production in the 24 months previous to the interim consolidated statements of financial position date.

5. Property, Plant and Equipment (PPE)

During the six months ended June 30, 2022, the Corporation recorded $455 of additions to its rental fleet and $50 of additions to production equipment (six months ended June 30, 2021 - $35 of additions to the Corporation's rental fleet). Additions to the rental fleet during 2022 and 2021 are comprised of equipment capitalized from inventory.

PPE includes right-of-use assets of $2,712 as at June 30, 2022 (December 31, 2021 - $2,991).

In April of 2022, management reviewed its useful life estimates for the Corporation's rental fleet and determined that the useful lives of certain assets in the fleet should be revised from 2 – 4 years to 4 – 8 years based on historical experience and industry observations. This resulted in $154 less depreciation expense for the three months ended June 30, 2022 in comparison to previous estimates. The expected reduction in depreciation expense compared to previous estimates for the three months ended September 30, 2022 and three months ended December 31, 2022 is $154 per period. The expected reduction in depreciation expense compared to previous estimates for the year ended December 31, 2023 is $616.

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 six months ended June 30, 2022, the Corporation recorded $459 of additions to intangible assets pertaining to costs incurred to develop internally generated intellectual property related to the development of several smart products that will be digitally integrated into McCoy's automated casing running system (six months ended June 31, 2021 – $844; twelve months ended December 31, 2021 – $2,051).

For the six months ended June 30, 2022, amortization of $286 pertaining to development costs for the first products developed under the first phase of the 'Digital Technology Roadmap' was recognized in cost of sales (six months ended June 30, 2021 - $213). For the six months ended June 30, 2022, amortization of $177 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 (six months ended June 30, 2021 - $174). For the six months ended June 30, 2022, amortization pertaining to software and other items amounted to $6 (six months ended June 30, 2021 - $7).

7. Borrowings

During the six months ended June 30, 2022, the Corporation terminated its $110 cash secured credit facility, under which $110 of cash and cash equivalents was previously held as collateral is presented as restricted cash on the consolidated statements of financial position.

In February 2021, the Corporation received $1,269 (US$1,000) of funding from the second draw available under its Senior Secured Term Loan. The term loan bears interest at US Prime Rate plus 4.95% per annum and is repayable in eight equal quarterly instalments beginning on December 6, 2022.

In March 2021, the Corporation received $2,468 (US$1,963) of funding under its application for second round funding of the US Paycheck Protection Program (PPP). During the three months ended June 30, 2021, the Corporation received full forgiveness for its first round funding of the PPP, and later in 2021 received full forgiveness for its second and final round of funding under the PPP.

8. Other Gains, Net

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
	$	$	**$**	$
Foreign exchange loss	**5**	26	**22**	71
Costs associated with strategic alternative assessment	**-**	-	**53**	-
Gain on disposal of PPE	**-**	-	**(269)**	(97)
Non-recurring retroactive payments to employees	**-**	421	**-**	421
Government assistance	**(7)**	(2,572)	**(9)**	(2,696)
	(2)	(2,125)	**(203)**	(2,301)

During the six months ended June 30, 2021, government assistance includes $2,369 for forgiven borrowings under the US Paycheck Protection Program and $327 in government assistance payments under the Canadian Emergency Wage and Rent Subsidy programs. Due to receipt of second round funding under the US Paycheck Protection Program in addition to approval of first round funding forgiveness, the Corporation returned a portion (5%) of the wage rollbacks enacted in April of 2020, for total one-time retroactive payments of $421.

9. Changes in Working Capital Balances

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
	$	$	**$**	$
Cash received from (used in) operating activities due to changes in non-cash working capital balances:				
Trade and other receivables	**(4,140)**	381	**(5,329)**	(370)
Inventories	**(233)**	(1,824)	**(1,656)**	(1,842)
Other current assets	**(949)**	(831)	**(685)**	(707)
Trade and other payables	**1,182**	183	**1,181**	(128)
Customer deposits	**(53)**	464	**742**	499
Provisions, excluding restructuring and facility remediation	**28**	(40)	**52**	(146)
	(4,165)	(1,667)	**(5,695)**	(2,694)

10. Subsequent Event

Subsequent to June 30, 2022, the Corporation's Board of Directors approved a plan to pursue a sale and leaseback arrangement for its real estate located in Cedar Park, Texas currently held at net book value of $3.4 million. Proceeds from a sale transaction are expected to be used to repay the Corporation's $4.3 million (US$3.4 million) term loan bearing interest at US Prime plus 4.95%.