



# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2023

*(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 the March 31, 2022 condensed consolidated interim financial statements.*

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Stated in thousands of Canadian dollars)  
(unaudited)

As at	Note	March 31, 2023	December 31, 2022
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		19,087	21,469
Restricted cash	7b	846	846
Trade and other receivables		8,273	12,976
Inventories	4	23,479	22,029
Prepaid expenses and deposits		1,016	1,139
		52,701	58,459
Other receivables		39	39
Deferred tax assets		1,203	1,082
Property, plant and equipment	5	7,351	7,335
Intangible assets	6	6,748	7,175
Goodwill		3,700	3,703
<b>Total assets</b>		71,742	77,793
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		8,811	10,862
Income taxes payable		318	94
Customer deposits		4,520	4,572
Provisions		523	493
Current lease liabilities		1,140	1,113
Borrowings	7	-	2,265
		15,312	19,399
Lease liabilities		4,113	4,428
Borrowings	7	-	2,252
<b>Total liabilities</b>		19,425	26,079
<b>Shareholders' equity</b>			
Share capital		60,265	60,135
Contributed surplus		5,710	5,758
Accumulated other comprehensive income		9,870	9,877
Accumulated deficit		(23,528)	(24,056)
<b>Total shareholders' equity</b>		52,317	51,714
<b>Total liabilities and shareholders' equity</b>		71,742	77,793

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

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME  
(Loss)**

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

For the three months ended March 31	2023	2022
	\$	\$
<b>Revenue</b>	<b>16,864</b>	8,891
<b>Cost of sales</b>	<b>12,036</b>	6,199
<b>Gross profit</b>	<b>4,828</b>	2,692
General and administration	2,336	1,595
Sales and marketing	461	352
Product development and support	903	596
Finance charges, net	355	176
Other losses (gains), net	44	(201)
	<b>4,099</b>	2,518
<b>Earnings before income taxes</b>	<b>729</b>	174
<b>Income tax expense (recovery)</b>		
Current	325	-
Deferred	(124)	-
	<b>201</b>	-
<b>Net earnings</b>	<b>528</b>	174
<b>Other comprehensive loss</b>		
Translation loss from foreign operations	(7)	(570)
<b>Comprehensive income (loss)</b>	<b>521</b>	(396)
<b>Net earnings per share</b>		
Basic from net earnings	<b>0.02</b>	0.01
Diluted from net earnings	<b>0.02</b>	0.01

*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		Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Total equity
	Number of shares	Share capital				
	#	\$	\$	\$	\$	\$
January 1, 2022	28,224,989	59,993	5,682	7,154	(32,819)	40,010
Net earnings	-	-	-	-	174	174
Translation loss on foreign operations	-	-	-	(570)	-	(570)
Employee share-based compensation	-	-	1	-	-	1
Issuance of common shares under stock option plan	20,000	22	(9)	-	-	13
Issuance of common shares under restricted share plan	7,500	5	-	-	-	5
<b>March 31, 2022</b>	<b>28,252,489</b>	<b>60,020</b>	<b>5,674</b>	<b>6,584</b>	<b>(32,645)</b>	<b>39,633</b>
January 1, 2023	<b>28,391,789</b>	<b>60,135</b>	<b>5,758</b>	<b>9,877</b>	<b>(24,056)</b>	<b>51,714</b>
Net earnings	-	-	-	-	528	528
Translation loss on foreign operations	-	-	-	(7)	-	(7)
Employee share-based compensation	-	-	4	-	-	4
Issuance of common shares under stock option plan	<b>120,000</b>	<b>130</b>	<b>(52)</b>	-	-	<b>78</b>
<b>March 31, 2023</b>	<b>28,511,789</b>	<b>60,265</b>	<b>5,710</b>	<b>9,870</b>	<b>(23,528)</b>	<b>52,317</b>

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	2023	2022
<b>Cash generated from (used in)</b>	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net earnings	528	174
Adjustments for:		
Depreciation of property, plant and equipment	450	596
Amortization of intangible assets	420	200
Finance charges, net	355	176
Share-based compensation expense	427	254
Income tax expense	201	-
Changes in non-cash working capital balances	998	(1,530)
Finance costs paid	(393)	(165)
Income taxes paid	(98)	-
Changes in restructuring and facility remediation provisions	(7)	(9)
Gain on disposal of property, plant and equipment	-	(269)
<b>Net cash generated from (used in) operating activities</b>	<b>2,881</b>	<b>(573)</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(471)	(259)
Proceeds from sale of property, plant and equipment	-	351
Additions to intangible assets	-	(358)
<b>Net cash used in investing activities</b>	<b>(471)</b>	<b>(266)</b>
<b>Financing activities</b>		
Repayments of borrowings	(4,553)	-
Principal elements of lease payments	(284)	(105)
Proceeds from issuance of common shares under stock option plan	78	13
Proceeds from issuance of common shares under restricted share plan	-	5
Changes in restricted cash	-	110
<b>Net cash (used in) generated from financing activities</b>	<b>(4,759)</b>	<b>23</b>
Effect of exchange rate changes on cash and cash equivalents	(33)	(143)
<b>Decrease in cash and cash equivalents</b>	<b>(2,382)</b>	<b>(959)</b>
<b>Cash and cash equivalents – beginning of the period</b>	<b>21,469</b>	<b>11,139</b>
<b>Cash and cash equivalents – end of the period</b>	<b>19,087</b>	<b>10,180</b>

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, 2023  
*(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 tubular running operations, enhance 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:

- 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 install base and similar competitor products; and
- rental of the Corporation’s 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 2<sup>nd</sup> 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, 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The significant accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those as disclosed in the consolidated annual financial statements for the year ended December 31, 2022.

The Corporation has adopted amendments to various standards effective January 1, 2023, which did not have a significant impact to these financial statements.

**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

As at	March 31, 2023			December 31, 2022		
	Gross inventories	Provision for excess and obsolescence	Net inventories	Gross inventories	Provision for excess and obsolescence	Net inventories
	\$	\$	\$	\$	\$	\$
Raw materials	1,752	(287)	1,465	1,568	(314)	1,254
Work-in-progress	3,862	-	3,862	3,134	-	3,134
Parts to be used in production	13,247	(2,200)	11,047	13,294	(2,444)	10,850
Production inventory	18,861	(2,487)	16,374	17,996	(2,758)	15,238
Capital equipment available for sale	1,114	(595)	519	2,090	(349)	1,741
Parts and accessories available for sale	8,982	(2,396)	6,586	7,449	(2,399)	5,050
	28,957	(5,478)	23,479	27,535	(5,506)	22,029

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 three months ended March 31, 2023, was a recovery for excess and obsolete inventory of \$252 (three months ended March 31, 2022 - provision of \$262) to adjust inventories to net realizable value. A write-down 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. During the three months ended March 31, 2023, this resulted in a net provision of \$246 (three months ended March 31, 2022 - recovery of \$44). 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 (PP&E)

During the three months ended March 31, 2023, the Corporation recorded \$405 of additions to its rental fleet comprised of equipment capitalized from inventory and \$66 of additions to machinery and production equipment (three months ended March 31, 2022 - \$259 of additions to its rental fleet).

PP&E includes right-of-use assets of \$3,185 as at March 31, 2023 (December 31, 2022 - \$3,400).

#### 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, 2023, the Corporation recorded \$nil 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 (three months ended March 31, 2022 - \$358; twelve months ended December 31, 2022 - \$782)

For the three months ended March 31, 2023, amortization of \$323 pertaining to development costs for the first five products developed under the first phase of the ‘Digital Technology Roadmap’ was recognized in cost of sales (three months ended March 31, 2022 – \$108 for the first two products developed). For the three months ended March 31, 2023, amortization of \$94 pertaining to intellectual property acquired in connection with the acquisition of DrawWorks LP was recognized in cost of sales (three months ended March 31, 2022 – \$88). For the three months ended March 31, 2023, amortization pertaining to software and other items amounted to \$3 (three months ended March 31, 2022 – \$4).

**7. BORROWINGS**

**a) SENIOR SECURED TERM LOAN II**

As at December 31, 2022, the Corporation had US\$3,400 outstanding under its Senior Secured Term Loan II. During the three months ended March 31, 2023, the Corporation repaid the full balance of \$4,553 (US\$3,400) outstanding under the term loan. Prepayment penalties amounted to \$122 (US\$91), calculated as 90 days’ interest on the principal amount being prepaid. Remaining deferred financing charges at the time of repayment of \$83 (US\$62) were fully amortized into income under Finance charges on the condensed consolidated interim statement of earnings and comprehensive income (loss).

**b) REVOLVING DEMAND FACILITY**

The Corporation holds a US\$2.5 million revolving demand facility with a Canadian chartered bank. As at March 31, 2023, \$846 cash and cash equivalents was held as collateral under the creditor’s authority (December 31, 2022 – \$846). The cash security is presented as restricted cash on the consolidated statements of financial position. The revolving demand facility bears interest at US Base Rate plus 1.35% per annum (March 31, 2023 – 9.35%, December 31, 2022 – 8.85%) and is secured by a general security agreement in addition to the assignment of US\$0.63 million of term deposits noted above. As at March 31, 2023, the amount available under the facility was \$3,292, with \$91 committed to letters of credit (December 31, 2022 – \$3,295, with \$91 committed to letters of credit). The balance available is calculated as the lessor of \$3,292; and the total of 75% of eligible US and Canadian accounts receivables, net of customer deposits, aged less than 90 days; 75% of eligible foreign accounts receivable, net of customer deposits, aged less than 90 days to a maximum of US\$1.25 million, 50% of raw materials and finished goods inventory to a maximum of US\$1.25 million and cash security on hand.

Subsequent to March 31, 2023, the Corporation’s revolving demand facility was extended from US\$2.5 million to US\$5.5 million, and the creditor released US\$0.63 million of cash previously held as collateral under its authority. In addition to extending the demand facility, the Corporation secured a commitment for a US\$3.4 million term loan, bearing interest at US Prime + 0.90%. The commitment is valid until December 31, 2023 and is subject to customary terms and conditions, including a financial covenant minimum Debt Service Coverage ratio of 1.2:1.

**c) CASH SECURED CREDIT FACILITY**

During the three months ended March 31, 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.

**8. CHANGES IN WORKING CAPITAL BALANCES**

	2023	2022
Cash received from (used in) operating activities due to changes in non-cash working capital balances:	\$	\$
Trade and other receivables	4,688	(1,189)
Inventories	(1,466)	(1,423)
Prepaid expenses and deposits	123	264
Trade and other payables	(2,336)	(1)
Customer deposits	(48)	795
Provisions, excluding restructuring and facility remediation	37	24
	<b>998</b>	<b>(1,530)</b>



**9. SUBSEQUENT EVENTS**

Subsequent to March 31, 2023, at the Corporation's Annual General and Special meeting, the Corporation's shareholders approved a reduction in stated capital of \$42 million.

Subsequent to March 31, 2023, the Corporation's Board of Directors declared a quarterly cash dividend of \$0.01 per common share payable on July 15, 2023 to shareholders of record as of close of business on June 30, 2023. The dividend per common share is a regular dividend and is an "eligible" dividend for purposes of the Income Tax Act (Canada) and any similar provincial/territorial legislation.