



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2022

(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, 2022	December 31, 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		10,180	11,139
Restricted cash		775	885
Trade and other receivables		7,117	6,030
Inventories	4	16,700	15,518
Prepaid expenses and deposits		602	873
		35,374	34,445
Other receivables		39	39
Property, plant and equipment	5	9,567	10,117
Intangible assets	6	7,125	7,070
Goodwill		3,417	3,467
Total assets		55,522	55,138
Liabilities			
Current liabilities			
Trade and other payables		5,094	4,897
Customer deposits		2,578	1,819
Provisions		605	598
Current lease liabilities		632	569
Borrowings	7	1,028	504
		9,936	8,387
Lease liabilities		2,839	3,051
Borrowings	7	3,114	3,690
Total liabilities		15,889	15,128
Shareholders' equity			
Share capital		60,020	59,993
Contributed surplus		5,674	5,682
Accumulated other comprehensive income		6,584	7,154
Accumulated deficit		(32,645)	(32,819)
Total shareholders' equity		39,633	40,010
Total liabilities and shareholders' equity		55,522	55,138

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

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

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

For the three months ended March 31	2022	2021
	\$	\$
Revenue	8,891	7,374
Cost of sales	6,199	5,162
Gross profit	2,692	2,212
General and administration	1,595	1,567
Sales and marketing	352	346
Research and development	596	428
Finance charges, net	176	205
Other gains, net 8	(201)	(176)
	2,518	2,370
Earnings before income taxes	174	(158)
Income tax expense	-	-
Net earnings (loss)	174	(158)
Other comprehensive loss		
Translation loss from foreign operations	(570)	(402)
Comprehensive loss	(396)	(560)
Net earnings (loss) per share		
Basic from net earnings (loss)	0.01	(0.01)
Diluted from net earnings (loss)	0.01	(0.01)

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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, 2021	27,802,489	59,712	5,560	7,129	(36,897)	35,504
Net loss	-	-	-	-	(158)	(158)
Translation loss on foreign operations	-	-	-	(402)	-	(402)
Employee share-based compensation	-	-	55	-	-	55
Issuance of common shares under restricted share plan	7,500	4	-	-	-	4
March 31, 2021	27,809,989	59,716	5,615	6,727	(37,055)	35,003
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
March 31, 2022	28,232,489	60,020	5,674	6,584	(32,645)	39,633

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	2022	2021
Cash used in from	\$	\$
Operating activities		
Net earnings (loss)	174	(158)
Adjustments for:		
Depreciation of property, plant and equipment	596	502
Amortization of intangible assets	200	200
Finance charges, net	176	205
Share-based compensation expense	254	185
Changes in non-cash working capital balances	8	(1,027)
Changes in restructuring and facility remediation provisions	(9)	(56)
Finance costs paid, net	(165)	(197)
Gain on disposal of property, plant and equipment	(269)	(97)
Net cash used in operating activities	(573)	(443)
Investing activities		
Purchases of property, plant and equipment	(259)	(35)
Proceeds from sale of property, plant and equipment	351	108
Additions to intangible assets	6	(351)
Net cash used in investing activities	(266)	(278)
Financing activities		
Repayments of borrowings	-	(316)
Proceeds of borrowings	7	1,269
Proceeds of borrowings under US Paycheck Protection Program	7	2,468
Proceeds from issuance of common shares under stock option plan	13	-
Proceeds from issuance of common shares under restricted share plan	5	4
Principal elements of lease payments	(105)	(94)
Changes in restricted cash	7	-
Net cash generated from financing activities	23	3,331
Effect of exchange rate changes on cash and cash equivalents	(143)	(121)
(Decrease) increase in cash and cash equivalents	(959)	2,489
Cash and cash equivalents – beginning of the period	11,139	12,136
Cash and cash equivalents – end of the period	10,180	14,625

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, 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").

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

As at	March 31, 2022			December 31, 2021		
	Gross inventories	Provision for excess and obsolescence	Net inventories	Gross inventories	Provision for excess and obsolescence	Net inventories
	\$	\$	\$	\$		\$
Raw materials	1,218	(382)	836	1,238	(315)	923
Work-in-progress	3,425	-	3,425	1,754	-	1,754
Parts to be used in production	10,598	(3,436)	7,162	10,602	(3,391)	7,211
Production inventory	15,241	(3,818)	11,423	13,594	(3,706)	9,888
Capital equipment available for sale	1,194	(323)	871	1,640	(372)	1,268
Parts and accessories available for sale	6,752	(2,346)	4,406	6,655	(2,293)	4,362
	23,187	(6,487)	16,700	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 three months ended March 31, 2022, was a provision for excess and obsolete inventory of \$262 (three months ended March 31, 2021 – recovery of \$85) 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 (PP&E)

During the three months ended March 31, 2022, the Corporation recorded \$259 of additions to its rental fleet comprised of equipment capitalized from inventory (three months ended March 31, 2021 - \$35 of additions to its production equipment).

PPE includes right-of-use assets of \$2,796 as at March 31, 2022 (December 31, 2021 - \$2,991).

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, 2022, the Corporation recorded \$358 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 (three months ended March 31, 2021 – \$351; twelve months ended December 31, 2021 – \$2,051).

For the three months ended March 31, 2022, amortization of \$108 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, 2021 – \$108). For the three months ended March 31, 2022, amortization of \$88 pertaining to intellectual property acquired in connection with the acquisition of DrawWorks LP was recognized in cost of sales (three months ended March 31, 2021 – \$88). For the three months ended March 31, 2022, amortization pertaining to software and other items amounted to \$4 (three months ended March 31, 2021 – \$4).

7. BORROWINGS

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.

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 year ended December 31, 2021, the Corporation received full forgiveness for both its first and second-round funding of the PPP. The proceeds of the funding were used to directly support the Corporation's US employee payroll expenditures.

8. OTHER GAINS, NET

	2022	2021
	\$	\$
Costs associated with strategic alternatives assessment	52	-
Foreign exchange loss	16	46
Government assistance	-	(125)
Gain on disposal of PPE	(269)	(97)
	(201)	(176)

9. CHANGES IN WORKING CAPITAL BALANCES

	2022	2021
Cash (used in) received from operating activities due to changes in non-cash working capital balances:	\$	\$
Trade and other receivables	(1,189)	(751)
Inventories	(1,423)	(19)
Other current assets	264	124
Trade and other payables	(1)	(311)
Customer deposits	795	36
Provisions, excluding restructuring and facility remediation	24	(106)
	(1,530)	(1,027)