



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2023

(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	September 30, 2023	December 31, 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		14,006	21,469
Restricted cash	7b	-	846
Trade and other receivables		9,400	12,976
Inventories	4	29,060	22,029
Prepaid expenses and deposits		1,805	1,139
		54,271	58,459
Other receivables		-	39
Deferred tax assets	8	1,212	1,082
Property, plant and equipment	5	8,470	7,335
Intangible assets	6	5,897	7,175
Goodwill		3,697	3,703
Total assets		73,547	77,793
Liabilities			
Current liabilities			
Trade and other payables		10,755	10,862
Income taxes payable		1,324	94
Customer deposits		3,326	4,572
Current provisions		444	493
Current lease liabilities		1,146	1,113
Dividends payable	9c	269	-
Current borrowings	7	-	2,265
		17,264	19,399
Lease liabilities		3,547	4,428
Borrowings	7	-	2,252
Total liabilities		20,811	26,079
Shareholders' equity			
Share capital	9a	17,395	60,135
Contributed surplus	9a	46,250	5,758
Accumulated other comprehensive income		9,848	9,877
Accumulated deficit		(20,757)	(24,056)
Total shareholders' equity		52,736	51,714
Total liabilities and shareholders' equity		73,547	77,793

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)

	Note	Three months ended September 30		Nine months ended September 30	
		2023	2022	2023	2022
		\$	\$	\$	\$
Revenue	10	16,878	12,410	49,990	34,164
Cost of sales		10,703	9,261	33,583	24,246
Gross profit		6,175	3,149	16,407	9,918
General and administration		1,907	1,475	6,154	4,630
Product development and support		1,030	811	2,950	2,194
Sales and marketing		590	451	1,706	1,301
Finance (income) charges, net	7	(8)	197	348	556
Other losses (gains), net		13	(59)	128	(262)
		3,532	2,875	11,286	8,419
Earnings before income taxes		2,643	274	5,121	1,499
Income tax expense (recovery)					
Current	11	508	-	1,395	-
Deferred	11	235	-	(129)	-
		743	-	1,266	-
Net earnings		1,900	274	3,855	1,499
Other comprehensive earnings					
Translation gain (loss)		1,102	2,584	(29)	3,237
Comprehensive earnings		3,002	2,858	3,826	4,736
Net earnings per share					
Basic		0.07	0.01	0.14	0.05
Diluted		0.07	0.01	0.13	0.05

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			Accumulated other comprehensive income	Accumulated deficit	Total equity
		Number of shares	Share capital	Contributed surplus			
		#	\$	\$	\$	\$	\$
Balances at January 1, 2022		28,224,989	59,993	5,682	7,154	(32,819)	40,010
Net earnings		-	-	-	-	1,499	1,499
Translation gain on foreign operations		-	-	-	3,237	-	3,237
Employee share-based Compensation		-	-	23	-	-	23
Issuance of common shares upon stock option exercise		20,000	22	(9)	-	-	13
Issuance of common shares under restricted share plan		172,500	174	-	-	-	174
Repurchase of shares		(3,200)	(7)	3	-	-	(4)
Balances at September 30, 2022		28,414,289	60,182	5,699	10,391	(31,320)	44,952
Balances at January 1, 2023		28,391,789	60,135	5,758	9,877	(24,056)	51,714
Net earnings		-	-	-	-	3,855	3,855
Translation loss on foreign operations		-	-	-	(29)	-	(29)
Employee share-based Compensation		-	-	12	-	-	12
Issuance of common shares upon stock option exercise		120,000	130	(52)	-	-	78
Issuance of common shares under restricted share plan		185,000	252	-	-	-	252
Reduction of stated capital	9a	-	(42,000)	42,000	-	-	-
Repurchase of shares	9b	(1,741,853)	(1,122)	(1,468)	-	-	(2,590)
Dividends declared	9c	-	-	-	-	(556)	(556)
Balances at September 30, 2023		26,954,936	17,395	46,250	9,848	(20,757)	52,736

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	
		2023	2022	2023	2022
Cash generated from (used in)		\$	\$	\$	\$
Operating activities					
Net earnings		1,900	274	3,855	1,499
Adjustments for:					
Depreciation of property, plant and equipment		493	403	1,414	1,439
Amortization of intangible assets		513	275	1,351	744
Income tax expense	11	743	-	1,266	-
Finance (income) charges, net		(8)	197	348	556
Share-based compensation		276	14	777	389
Gain on disposal of property, plant and equipment		(11)	-	(31)	(269)
Changes in non-cash working capital balances	12	294	145	(5,657)	(5,550)
Change in restructuring and facility remediation provisions		(7)	(6)	(20)	(22)
Income taxes paid		(75)	-	(171)	-
Finance costs paid, net		(37)	(78)	(576)	(506)
Net cash generated from (used in) operating activities		4,081	1,224	2,556	(1,720)
Investing activities					
Purchases of property, plant and equipment	5	(1,916)	(484)	(2,813)	(989)
Proceeds from sale of property, plant and equipment		11	3	38	354
Additions to intangible assets	6	(3)	(147)	(92)	(606)
Net cash used in investing activities		(1,908)	(628)	(2,867)	(1,241)
Financing activities					
Proceeds from issuance of common shares from stock option		-	-	78	13
Proceeds from issuance of common shares under restricted share plan		-	111	252	174
Repayments of borrowings	7a	-	-	(4,553)	-
Repurchase of shares	9b	(2,503)	(4)	(2,590)	(4)
Dividends paid	9c	(286)	-	(286)	-
Principal elements of lease payments		(279)	(170)	(836)	(401)
Changes in restricted cash	7b	-	-	828	110
Net cash used in financing activities		(3,068)	(63)	(7,107)	(108)
Effect of exchange rate changes on cash and cash equivalents		250	476	(45)	591
(Decrease) increase in cash and cash equivalents		(645)	1,009	(7,463)	(2,478)
Cash and cash equivalents - beginning of the period		14,651	7,652	21,469	11,139
Cash and cash equivalents - end of the period		14,006	8,661	14,006	8,661

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, 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 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, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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, trade and other payables, and dividends payable approximates their carrying value due to their short-term nature. 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	September 30, 2023			December 31, 2022		
	Gross inventories	Provision for excess and obsolescence	Net inventories	Gross inventories	Provision for excess and obsolescence	Net inventories
	\$	\$	\$	\$		\$
Raw materials	1,859	(282)	1,577	1,568	(314)	1,254
Work-in-progress	3,938	-	3,938	3,134	-	3,134
Parts to be used in production	13,488	(1,900)	11,588	13,294	(2,444)	10,850
Production inventory	19,285	(2,182)	17,103	17,996	(2,758)	15,238
Capital equipment available for sale	2,346	(325)	2,021	2,090	(349)	1,741
Parts and accessories available for sale	12,419	(2,483)	9,936	7,449	(2,399)	5,050
	34,050	(4,990)	29,060	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. 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 nine months ended September 2023, this resulted in a net recovery of \$25 (three months ended September 30, 2023 - \$270) for capital equipment. During the nine months ended September 30, 2022, this resulted in a net recovery of \$45 (three months ended September 30, 2022 - \$nil) for capital equipment.

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 before the condensed consolidated interim statements of financial position date. Included in cost of sales for the nine months ended September 30, 2023 was a provision for excess and obsolete inventory of \$24 (three months ended September 30, 2023 - \$196) to adjust these inventories to net realizable value. Included in cost of sales for the nine months ended September 30, 2022 was a provision for excess and obsolete inventory of \$536 (three months ended September 30, 2022 - recovery of \$5) to adjust these inventories to net realizable value. In the three and nine months ended September 30, 2022, the Corporation disposed \$1,837 of excess and obsolete inventory.

5. PROPERTY, PLANT AND EQUIPMENT (PPE)

During the nine months ended September 30, 2023, the Corporation recorded \$516 of additions to production equipment and \$2,297 of additions to its rental fleet (three months ended September 30, 2023 - \$119 of additions to production equipment and \$1,797 of additions to rental fleet). During the nine months ended September 30, 2022, the Corporation recorded \$179 of additions to production equipment and \$810 of additions to the Corporation's rental fleet (three months ended September 30, 2022 - \$86 of additions to production equipment and \$398 of additions to rental fleet). Additions to the rental fleet during 2023 and 2022 are comprised of equipment capitalized from inventory.

PPE includes right-of-use assets of \$2,758 as at September 30, 2023 (December 31, 2022 - \$3,400).

6. INTANGIBLE ASSETS

During the nine months ended September 30, 2023, the Corporation recorded \$92 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 September 30, 2023 – \$3). During the nine months ended September 30, 2022, the Corporation recorded \$606 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 September 30, 2022 – \$147).

For the nine months ended September 30, 2023, amortization of \$1,061 pertaining to development costs for products developed as components of McCoy's automated casing running system was recognized in cost of sales (three months ended September 30, 2023 – \$416). For the nine months ended September 30, 2023, amortization of \$281 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 September 30, 2023 – \$94). For the nine months ended September 30, 2023, amortization pertaining to software and other items amounted to \$9 (three months ended September 30, 2023 – \$3).

For the nine months ended September 30, 2022, amortization of \$466 pertaining to development costs for products developed as components of McCoy's automated casing running system was recognized in cost of sales (three months ended September 30, 2022 – \$181). For the nine months ended September 30, 2022, amortization of \$269 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 September 30, 2022 – \$91). For the nine months ended September 30, 2022, amortization pertaining to software and other items amounted to \$9 (three months ended September 30, 2022 – \$3).

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 nine months ended September 30, 2023, the Corporation repaid the full balance of \$4,553 (US\$3,400) outstanding under the term loan. Prepayment penalties amounted to \$122, calculated as 90 days' interest on the principal amount being prepaid. Remaining deferred financing charges at the time of repayment of \$83 were fully amortized into income under finance charges on the condensed consolidated interim statement of earnings and comprehensive earnings.

b) REVOLVING DEMAND FACILITY

The Corporation holds a revolving demand facility with a Canadian chartered bank. In the nine months ended September 30, 2023, the creditor released \$846 (US\$625) of cash previously held as collateral under its authority, which historically was recorded as restricted cash. As at September 30, 2023, the amount available under the revolving demand facility was \$7,345, with \$91 committed to letters of credit (December 31, 2022 – \$3,295, with \$91 committed to letters of credit). During the nine months ended September 30, 2023, the Corporation increased its revolving demand facility from US\$2.5 million to US\$5.5 million. The balance available was calculated as the lessor of \$7,436; 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\$2.75 million, and 50% of raw materials and finished goods inventory, net of 30 days accounts payable to a maximum of US\$2.75 million.

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 and certain customary disbursement conditions.

c) CASH SECURED CREDIT FACILITY

During the nine months ended September 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 condensed consolidated statements of financial position.

8. DEFERRED TAXES

a) RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

The income tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	September 30, 2023			December 31, 2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	\$	\$	\$	\$	\$	\$
PPE	-	(1,076)	(1,076)	-	(922)	(922)
Intangible assets	-	(745)	(745)	-	(939)	(939)
Inventories	1,360	-	1,360	1,426	-	1,426
Lease liabilities	955	-	955	1,384	-	1,384
Provisions	91	-	91	98	-	98
Interest carryforwards	627	-	627	35	-	35
Deferred tax assets	3,033	(1,821)	1,212	2,943	(1,861)	1,082
Set off of deferred tax liabilities	(1,821)	1,821	-	(1,861)	1,861	-
Net deferred tax assets	1,212	-	1,212	1,082	-	1,082

b) UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets have not been recognized in respect of the following items:

	September 30, 2023	December 31, 2022
	\$	\$
Deductible temporary differences	1,724	3,159
Tax losses	3,253	2,947
	4,977	6,106

Based on management's current estimates of future taxable earnings, the recoverability of these items is indeterminable and as such, deferred tax assets have not been recognized in respect of these amounts.

c) TAX LOSSES CARRIED FORWARD

Unrecognized deferred tax assets derived from tax losses expire as follows:

	September 30, 2023		December 31, 2022	
	Gross amount	Tax effect	Gross amount	Tax effect
	\$	\$	\$	\$
2035	27	6	27	6
2036	4,046	931	4,046	931
2037	2,286	526	2,286	526
2038	266	61	266	61
2039	2,436	560	2,436	560
2040	1,947	448	1,947	448
2041	753	173	753	173
2042	1,049	242	1,049	242
2043	1,334	306	-	-
	14,144	3,253	12,810	2,947

Deferred tax assets have not been recognized in respect of capital losses of \$12,810 (December 31, 2022 – \$12,810). It is not probable that future taxable capital gains will be available against which the Corporation can utilize the benefits of these losses. These losses do not expire.

9. SHAREHOLDERS' EQUITY

a) STATED CAPITAL

During the nine months ended September 30, 2023, following shareholders' approval at the Corporation's Annual General and Special meeting, the Corporation reduced its stated capital by \$42,000. Accordingly, contributed surplus increased by the corresponding amount.

b) REPURCHASE OF COMMON SHARES

On August 18, 2022, the Corporation announced a normal course issuer bid (NCIB). The Corporation was entitled to purchase, for cancellation, up to a maximum of 1,420,874 common shares, equal to five percent of the issued and outstanding common shares of 28,417,489 as at August 15, 2022. The Corporation was also limited under the NCIB to purchasing no more than 5,418 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB continued until August 21, 2023.

On August 18, 2023, the Corporation announced a renewal of the NCIB. The Corporation is entitled to purchase, for cancellation, up to a maximum of 1,605,053 common shares, equal to ten percent of the public float of 16,050,532 common shares as at August 15, 2023. The Corporation is also limited under the NCIB to purchasing no more than 4,192 common shares on any given day, subject to the block purchase exemption under the TSX rules.

During the nine months ended September 30, 2023, the Corporation purchased 1,741,853 common shares pursuant to its NCIB at a weighted average price of \$1.47 per share for total consideration of \$2,590 and the Corporation completed the August 2023 NCIB. The shares were cancelled prior to September 30, 2023. During the nine months ended September 30, 2022, the Corporation purchased 3,200 common shares pursuant to its NCIB at a weighted average price of \$1.12 per share for total consideration of \$4. The shares were cancelled as at September 30, 2022.

c) DIVIDENDS

During the nine months ended September 30, 2023, the Corporation announced its Board of Directors approved the reinstatement of a quarterly dividend. Dividends on common shares are recognized in the consolidated financial statements in the period in which the dividends are declared by the Board of Directors of the Corporation.

Dividend declared	Dividend paid	Total dividend	Amount per common share
		\$	\$
June 30, 2023	July 15, 2023	286	0.01
September 30, 2023	October 15, 2023	269	0.01

10. REVENUE

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Sale of products, parts and consumables	14,987	11,064	44,498	29,649
Rental revenue	1,275	887	3,348	2,882
Rendering of services	616	459	2,144	1,633
	16,878	12,410	49,990	34,164

11. INCOME TAX EXPENSE

a) RECONCILIATION OF INCOME TAX EXPENSE

Income tax expense varies from the amounts that would be computed by applying the domestic statutory rate of 23% (2022 - 23%) to earnings before income taxes for the following reasons:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Earnings before income taxes	2,643	274	5,121	1,499
Computed income tax expense	608	63	1,178	345
Tax effects of:				
Jurisdictional tax rate differences	121	96	412	(134)
Non-deductible items	2	-	8	-
Benefit of previously unrecognized deferred tax assets	(29)	(216)	(652)	(595)
Temporary differences for which no deferred tax asset was recognized	41	57	320	384
Income tax expense	743	-	1,266	-

b) INCOME TAX EXPENSE ON EARNINGS

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Current tax expense	508	-	1,395	-
Deferred tax expense:				
Origination and reversal of temporary differences	223	159	203	211
Benefit of previously unrecognized deferred tax assets	(29)	(216)	(652)	(595)
Temporary differences for which no deferred tax asset was recognized	41	57	320	384
Total deferred tax expense (recovery)	235	-	(129)	-
Income tax expense	743	-	1,266	-

12. CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Cash received from (used in) operating activities due to changes in non-cash working capital balances:	\$	\$	\$	\$
Trade and other receivables	1,851	323	3,536	(5,005)
Inventories	(2,909)	(3,305)	(6,785)	(4,961)
Other current assets	823	433	(666)	(252)
Other non-current receivables	-	-	39	-
Trade and other payables	782	2,915	(521)	4,095
Customer deposits	(282)	(247)	(1,232)	495
Provisions, excluding restructuring and facility remediation	29	26	(28)	78
	294	145	(5,657)	(5,550)