

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2013

(unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)
(unaudited)

As at	March 31, 2013	December 31, 2012
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	16,374	22,122
Trade and other receivables	22,050	17,257
Inventories	36,579	35,521
Income tax recoverable	110	1,007
Other current assets	1,000	840
	76,113	76,747
Property, plant and equipment	25,157	26,181
Intangible assets	14,112	13,941
Deferred tax assets	879	814
Total assets	116,261	117,683
Liabilities		
Current liabilities		
Trade and other payables	22,474	25,986
Dividend payable	1,337	-
Provisions	1,630	1,731
Income tax payable	550	1,270
Finance lease obligations	98	133
	26,089	29,120
Borrowings	8,898	8,842
Deferred tax liabilities	2,181	2,225
Total liabilities	37,168	40,187
Shareholders' equity		
Share capital	56,824	56,572
Contributed surplus	3,993	3,970
Accumulated other comprehensive loss	(344)	(942)
Retained earnings	18,620	17,896
Total shareholders' equity	79,093	77,496
Total liabilities and shareholders' equity	116,261	117,683

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

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

For the three months ended March 31,	2013	2012
	\$	\$
Revenue	42,030	45,533
Cost of sales	30,119	34,491
Gross profit	11,911	11,042
General and administration	6,637	5,239
Sales and marketing	1,680	2,020
Research and development	674	272
Finance charges (net)	188	39
Other (gains) losses (net)	(251)	315
	8,928	7,885
Earnings before income taxes	2,983	3,157
Income tax expense		
Current	1,013	816
Deferred	(91)	187
	922	1,003
Net earnings	2,061	2,154
Other comprehensive income (loss)		
Translation gain (loss) of foreign operations	598	(722)
Comprehensive income	2,659	1,432
Earnings per share		
Basic	0.08	0.08
Diluted	0.08	0.08

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

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

	Issued capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number of shares	Amount				
	#	\$	\$	\$	\$	\$
Balances, January 1, 2012	26,509,245	56,152	3,579	(268)	10,906	70,369
Net earnings	-	-	-	-	2,154	2,154
Translation (loss) on foreign operations	-	-	-	(722)	-	(722)
Employee share based compensation expense	-	-	151	-	-	151
Dividends	-	-	-	-	(795)	(795)
Common shares issued on exercise of stock options	1,667	3	(1)	-	-	2
Balances, March 31, 2012	26,510,912	56,155	3,729	(990)	12,265	71,159
Net earnings	-	-	-	-	9,618	9,618
Translation gain on foreign operations	-	-	-	48	-	48
Employee share based compensation expense	-	-	356	-	-	356
Dividends	-	-	-	-	(3,987)	(3,987)
Common shares issued on exercise of stock options	159,999	417	(115)	-	-	302
Balances, December 31, 2012	26,670,911	56,572	3,970	(942)	17,896	77,496
Net earnings	-	-	-	-	2,061	2,061
Translation gain on foreign operations	-	-	-	598	-	598
Employee share based compensation expense	-	-	85	-	-	85
Dividends	-	-	-	-	(1,337)	(1,337)
Common shares issued on exercise of stock options	76,667	252	(62)	-	-	190
Balances, March 31, 2013	26,747,578	56,824	3,993	(344)	18,620	79,093

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

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

For the three months ended March 31,	2013	2012
Cash generated from (used in)	\$	\$
Operating activities		
Net earnings	2,061	2,154
Adjustments for:		
Depreciation of property, plant and equipment	1,052	799
Amortization of intangible assets	329	333
Current income tax expense	1,013	816
Deferred tax expense	(91)	187
Finance charges (net)	188	39
Share-based compensation expense	132	243
Adjusted EBITDA⁽¹⁾	4,684	4,571
(Gain) loss on disposal of property, plant and equipment	(36)	8
Changes in non-cash working capital balances	(9,687)	(4,454)
Interest paid	(130)	(83)
Interest received	18	44
Income taxes paid	(842)	(3,429)
Net cash used in operating activities	(5,993)	(3,343)
Investing activities		
Repayment of notes receivable	10	334
Purchases of property, plant and equipment	(654)	(1,795)
Proceeds from sale of property, plant and equipment	873	-
Additions to intangible assets	(497)	(82)
Net cash used in investing activities	(268)	(1,543)
Financing activities		
Repayment of finance lease obligations	(35)	(69)
Repayment of borrowings	-	(120)
Proceeds from issuance of share capital on exercise of options	190	2
Net cash generated from (used in) financing activities	155	(187)
Effect of exchange rate changes on cash and cash equivalents	358	(936)
Decrease in cash and cash equivalents	(5,748)	(6,009)
Cash and cash equivalents - beginning of the period	22,122	29,383
Cash and cash equivalents - end of the period	16,374	23,374

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

⁽¹⁾ Adjusted EBITDA is an additional GAAP measure presented under IFRS defined as "net earnings before impairment losses, finance charges (net), income tax expense, depreciation, amortization and share-based compensation expense". For comparative purposes, the Corporation notes that in previous financial disclosures 'adjusted EBITDA' was referred to as "EBITDAS".

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2013

(in thousands of Canadian dollars, except share data or unless otherwise specified)

(unaudited)

1. NATURE OF OPERATIONS

McCoy Corporation ("McCoy") provides specialized equipment, service and replacement components to the global oil and gas sector. McCoy is incorporated and domiciled in Canada and has two operating segments: Energy Products & Service ("EP&S") and Mobile Solutions.

The EP&S segment is engaged in the manufacture of drilling and completions equipment, service and replacement parts for the global oil and gas industry, as well as a range of coatings and hydraulic manufacturing and repair services. The EP&S segment includes two divisions: Drilling & Completions and Coatings & Hydraulics.

Mobile Solutions manufactures specialized custom heavy-duty trailers primarily used in the oil and gas industry for pressure pumping, coil tubing and rig transport.

Set out below are McCoy's principal operations:

Operating Name	Country of Incorporation	Segment	Division
Superior Manufacturing & Hydraulics, Inc. McCoy Rig Parts, operating as a division of Superior Manufacturing & Hydraulics, Inc.	United States	EP&S	Drilling & Completions
Farr Canada Corp.	Canada	EP&S	Drilling & Completions
Precision Die Technologies, L.L.C.	United States	EP&S	Drilling & Completions
Inotec Coating and Hydraulics Inc.	Canada	EP&S	Coatings & Hydraulics
Peerless Limited	Canada	Mobile Solutions	Trailers

McCoy and its principal operations are collectively referred to herein as the "Corporation".

The address of the registered office of the Corporation is Suite 301, 9618-42 Avenue, Edmonton, Alberta. The Corporation is listed on the Toronto Stock Exchange 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, 2012, which have been prepared in accordance with International Financial Reporting Standards.

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year, except as described below.

CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, CONSOLIDATED FINANCIAL STATEMENTS, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation-Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

The Corporation has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 does not result in any change in the consolidation status of any of its subsidiaries or investees.

IFRS 13, FAIR VALUE MEASUREMENT, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Corporation adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as of January 1, 2013.

IAS 1, AMENDMENT, PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME, the Corporation has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Corporation to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. Other comprehensive income consists of translation gains and losses related to the Corporation's foreign operations and may be subsequently reclassified to net earnings. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

These condensed consolidated interim financial statements were approved for issue on April 30, 2013.

3. DIVIDENDS

Dividend declared	Dividend paid	Total dividend	Amount per common share
		\$	\$
March 14, 2013	April 12, 2013	1,337	0.05
December 12, 2012	December 31, 2012	1,335	0.05
August 17, 2012	September 17, 2012	1,326	0.05
May 17, 2012	June 15, 2012	1,326	0.05
March 22, 2012	April 12, 2012	795	0.03

4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, dividend payable, borrowings and finance lease obligations.

The fair value of cash and cash equivalents, trade and other receivables, trade and other payables and dividend payable approximate their carrying value due to their short-term nature.

The fair values of borrowings and finance lease obligations approximate carrying value as market rates of interest do not differ significantly for instruments with similar terms to maturity.

5. SEGMENTED REPORTING

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2013

	Revenue	Gross profit	Adjusted EBITDA	Earnings (loss) before income taxes
	\$	\$	\$	\$
EP&S	30,969	10,257	5,226	4,237
Mobile Solutions	11,061	1,654	573	463
Corporate	-	-	(1,115)	(1,717)
Total	42,030	11,911	4,684	2,983

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED MARCH 31, 2012

	Revenue	Gross profit	Adjusted EBITDA	Earnings (loss) before income taxes
	\$	\$	\$	\$
EP&S	26,162	8,583	5,310	4,106
Mobile Solutions	19,371	2,459	769	665
Corporate	-	-	(1,508)	(1,614)
Total	45,533	11,042	4,571	3,157

RECONCILIATION OF ADJUSTED EBITDA FOR THE THREE MONTHS ENDED MARCH 31

	2013	2012
	\$	\$
Earnings before income taxes	2,983	3,157
Finance charges (net)	188	39
Depreciation	1,052	799
Amortization	329	333
Share-based compensation expense	132	243
Adjusted EBITDA	4,684	4,571

IDENTIFIABLE ASSETS AND LIABILITIES FOR THE PERIOD ENDED MARCH 31, 2013

	EP&S	Mobile Solutions	Corporate	Total
	\$	\$	\$	\$
Total identifiable assets	74,697	18,932	22,632	116,261
Total identifiable liabilities	20,310	5,601	11,257	37,168

IDENTIFIABLE ASSETS AND LIABILITIES FOR THE PERIOD ENDED DECEMBER 31, 2012

	EP&S	Mobile Solutions	Corporate	Total
	\$	\$	\$	\$
Total identifiable assets	64,492	19,559	33,632	117,683
Total identifiable liabilities	21,235	5,828	13,124	40,187