LETTER TO SHAREHOLDERS

The first quarter of 2011 was positive for McCoy. The Corporation experienced solid revenue growth and increased net earnings by 318% compared to the first quarter of 2010. Backlog continued to build in both of McCoy's segments as quoting and order activities also increased. These activities will sustain the growth through 2011.

It is important to note that although McCoy experienced a positive first quarter, our financial results were constrained somewhat by the production ramp-up in our Energy Products & Services ("EP&S") segment. There is no shortage of demand for McCoy's products and we welcome the challenges, as this is an indication of significant opportunity for growth. McCoy's Mobile Solutions segment experienced similar challenges in 2010 and is now capitalizing on the strong market.

The EP&S segment performed well. We are expecting to attain higher production levels in subsequent quarters now that we are in a better position to meet the demand for our products. The ramp-up period for increased production in the Drilling & Completions division of this segment is primarily limited by the time required for hiring and training new employees. With much of this being addressed earlier in the year, it is now expected that this segment will move closer to its performance potential in the second quarter and beyond. EP&S reported $19.6 million in sales for the quarter, up 28% from a year prior, with a gross profit margin of 31%.

The global market for our EP&S products has experienced a significant recovery over the last 12 months. Although we have felt the effects of reduced activity levels from certain areas of the Middle East, other markets have replaced those revenues. Land drilling in North America has recovered nicely and we are experiencing more orders in this market. We now expect this to continue as shale reserves remain the focus of drilling activities. Internationally, both land and offshore drilling are at solid activity levels, another major contributor to increased drilling equipment demand.

The Mobile Solutions segment performed extremely well during the first quarter, with $16.3 million in sales, up 165% from a year earlier, with a 20% gross profit margin. The sales backlog for the Trailers division of this segment remains strong, primarily in the custom drilling, well stimulation and servicing trailer markets, both domestically and in the U.S. This strength is a result of the demand for more pressure pumping capacity to support horizontal drilling and multi-stage fracturing. McCoy is the market leader for these custom products in North America.

A summary of McCoy's quarterly financial results is shown in the following table and reflects International Financial Reporting Standards ("IFRS") presentation:

($000)	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Total revenue	34,642	33,127	27,701	24,829	20,029
Net earnings from continuing operations	1,821	1,693	1,720	990	507
Net earnings	1,821	1,861	1,945	1,108	436
EBITDAS(1)	3,991	3,620	3,979	2,723	1,851

In the first quarter, McCoy made significant investments in its organic growth strategy by adding new manufacturing capacity as part of its 2011 capital equipment budget. Some of this equipment will replace older units nearing the end of their life cycle but the majority of capital expenditures will provide the tools to grow revenue and increase the amount of automation.

These activities do bring an element of plant disruption; however, we expect the disruptions to be completed by the end of the second quarter. We are confident that the value of these initiatives will kick-in during the third quarter and beyond.

Along with organic growth through new product development, we continue to pursue strategic acquisition opportunities. McCoy's balance sheet provides the capability to act quickly should the right opportunity be available.

Management capabilities are crucial to any successful enterprise. It is important to note that the Corporation has been successful in attracting additional bench strength in the first quarter. We hired additional talent in sales, engineering and operations. We have an outstanding core group of experienced people that we continue to grow in key areas of expertise.

During the first quarter, McCoy expanded its footprint in Houston, Texas, the hub of the global oil and gas industry, where the Corporation recently purchased a facility. This location will be the anchor point for McCoy's international sales and marketing team, will house an additional engineering design group, and will provide calibration services for many of McCoy's Houston-based customers. In the future, this facility will also be a distribution point for drilling equipment parts and consumables. McCoy recently employed four additional engineers to work within our product design team in Houston. This is a reflection of McCoy's commitment to its organic growth strategy through increased investment in research and development.

McCoy's global growth aspirations continue to be making particularly strong headway in Latin America. In particular, demand continues to grow from the energy industry in Brazil for McCoy's drilling and completions products.

The first quarter of 2011 represents the highest level to date in McCoy's revenues since the third quarter of 2008. With strong backlogs and quoting, we have robust visibility for the next three quarters. Overall, McCoy anticipates continued growth in 2011 due to increased worldwide rig activity and McCoy's strategic position.

Finally, McCoy's accounting team has worked diligently to prepare for our first quarter report using IFRS, as is required for publicly-traded companies in Canada starting this year. I would like to thank this team for their painstaking efforts in ensuring a smooth transition and for achieving a high standard in McCoy's financial reporting.

Jim Rakievich
President & Chief Executive Officer
May 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This interim Management's Discussion and Analysis ("MD&A"), dated May 11, 2011, should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2010 and the unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2011 and supporting notes.

As of January 1, 2011, McCoy adopted International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The following unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting. A reconciliation of the previously disclosed comparative periods' financial statements for fiscal 2010 prepared in accordance with Canadian generally accepted accounting principles to IFRS is set out in Note 5 to these financial statements. These documents and additional information relating to McCoy can be found on SEDAR www.sedar.com. This MD&A provides information on the activities of McCoy on a consolidated basis. All amounts are expressed in Canadian dollars unless otherwise stated.

Forward Looking Statements

The MD&A contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, the MD&A contains forward-looking statements and information concerning McCoy's acquisition strategy, future development and growth prospects, ability to meet current and future obligations, currency, exchange and interest rates and the Corporation's future financial performance. The forward-looking statements and information are based on certain key expectations and assumptions made by McCoy, including expectations and assumptions concerning fluctuations in the level of oil and gas industry capital expenditures, McCoy's ability to integrate acquired businesses and complete strategic acquisitions of additional business and other factors that affect demand for McCoy's products. Although McCoy believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because McCoy can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause McCoy's actual results and experience to differ materially from the anticipated results or expectations expressed. These risks and uncertainties, include, but are not limited to, fluctuations in oil and gas prices, fluctuations in the level of oil and gas industry capital expenditures and other factors that affect demand for McCoy's products, industry competition, the need to effectively integrate acquired businesses, uncertainties as to McCoy's ability to implement its business strategy effectively in Canada and the United States, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments, political and economic conditions and McCoy's ability to attract and retain key personnel. Additional information on these and other factors is available in the continuous disclosure materials filed by McCoy with Canadian securities regulators. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in the MD&A or otherwise, and not to use future-oriented information or financial outlooks for anything other than their intended purpose. McCoy undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

Vision, Strategy and Core Businesses

McCoy's Vision
is to become a significant growth-oriented company by broadening our global reach of products, continued market leadership, ongoing technological innovation, and focusing on efficient operations.

McCoy's Mission
is to provide innovative products and services
to the global energy industry.

MCCOY
MOVING GLOBAL ENERGY FORWARD

MCCOY | ENERGY PRODUCTS & SERVICES

MCCOY | DRILLING & COMPLETIONS
FARR
PRECISION DIE TECHNOLOGIES
SUPERIOR MANUFACTURING & HYDRAULICS

MCCOY | COATINGS & HYDRAULICS
INOTEC

MCCOY | MOBILE SOLUTIONS

MCCOY | TRAILERS
SCONA
PEERLESS

MCCOY | VAC & HYDROVAC
REBEL

In 2010, McCoy unveiled its new brand and simplified its structure from three segments to two: Energy Products & Services and Mobile Solutions. Also, in December 2010, McCoy made a change to its business structure by moving its McCoy Vac and Hydrovac division from the Energy Products & Services ("EP&S") segment to the Mobile Solutions segment. This was done to ensure like services were aligned in each segment. Also in December, McCoy sold its Parts & Service business, which was formerly part of the Mobile Solutions segment.

Energy Products & Services Overview

Energy Products & Services is engaged in the design, manufacture and distribution 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. It is comprised of two divisions: Drilling & Completions and Coatings & Hydraulics.

The Drilling & Completions division consists of Farr Canada ("Farr"), a division of McCoy located in Edmonton, Alberta; Superior Manufacturing & Hydraulics, Inc. ("Superior") and Precision Die Technologies, L.L.C. ("PDT") both located in Lafayette, Louisiana. McCoy Coatings &

Hydraulics consists of Inotec Coatings and Hydraulics Inc. (“Inotec”) located in Edmonton, Alberta.

Effective April 1, 2011, McCoy conducted a reorganization that separated Farr into its own entity, Farr Canada Corp. and operates as a fully owned subsidiary of McCoy.

The Corporation will continue to pursue growth of the EP&S segment through organic growth from existing operations and strategic acquisitions as demonstrated by the acquisition of Superior and PDT during the third quarter of 2007 and RP Manufacturing & Calibration (“RP”) during the first quarter of 2009.

The EP&S segment continues to implement lean manufacturing techniques to increase throughput by improving productivity resulting in reduced per unit costs. In addition to growth through acquisition, this segment generates organic growth in two ways:

a) through increasing the proportion of international sales and focusing on growth markets such as global offshore and land drilling, the Middle East, India, Asia, South America, Central America, Mexico, North Africa, the former Soviet Union, and the Alberta oil sands; and

b) development of new products and services that provide McCoy with a competitive advantage using innovative technologies.

Mobile Solutions Overview

Mobile Solutions is involved in the manufacture and sale of custom heavy-duty trailers largely used in the oil and gas industry for multi-stage fracturing, rig transportation and heavy haul, as well as the manufacture of vac and hydrovac equipment through two divisions: McCoy Trailers and McCoy Vac & Hydrovac. Until December 2010, this segment included the McCoy Parts & Service division, which was sold by McCoy to enhance McCoy’s focus on products and services for the global energy industry.

McCoy Trailers is focused on serving oil and gas clients operating in the Western Canadian Sedimentary Basin (“WCSB”), the United States as well as through export to China, Australia and the Middle East, and also includes product offerings in wind energy and infrastructure transportation markets.

The Mobile Solutions segment consists of Peerless Limited (“Peerless”), located in Penticton, British Columbia where both the Peerless and Scona branded trailers are manufactured; and Rebel Metal Fabricators Ltd. (“Rebel”) located in Red Deer, Alberta where vac and hydrovac systems are manufactured. Also included in this segment is the Corporation’s 50% interest in Prairie Truck Ltd., an International Truck dealership in the business of truck sales, parts and service located in Grande Prairie, Alberta.

This segment is aggressively pursuing market expansion into the United States and, through targeted export channels, to overseas oil and gas markets. Engineering expertise is being utilized to develop innovative products for the wind energy and specialized transportation markets.

McCoy is the market leader in the design and manufacture of custom drilling and well servicing chassis trailers used in fracturing and workover operations, and particularly in shale oil and gas applications. The Peerless brand has a leading market position in North America and has recently made inroads into the UK, the Middle East and Australia.

Discontinued Operations

Effective December 31, 2010, the Truck and Trailer Parts & Services division of McCoy and the service and parts division of Peerless Limited ("McCoy Parts & Service") were sold. Operating results related to McCoy Parts & Service have been included in net income from discontinued operations in the Consolidated Statement of Comprehensive Income.

This was a strategic divestiture for McCoy allowing the Corporation to focus on global expansion in the energy industry and grow our most profitable businesses in the EP&S and Mobile Solutions segments. The net cash proceeds from the sale of the Corporation's Parts & Service division, after payment of transaction expenses and taxes, were approximately 4.2x multiple of 2010 EBITDA. These proceeds, along with McCoy's existing net cash position, will be used to support and invest in McCoy's strategic growth plans in the global energy industry.

Transition to International Financial Reporting Standards

Canadian GAAP ("CGAAP") has been revised to incorporate International Financial Reporting Standards ("IFRS") and publicly traded companies like McCoy are required to apply such standards for years beginning on or after January 1, 2011. Note 5 to the attached interim unaudited consolidated financial statements discloses the impact of the transition to IFRS on the Corporation's reported financial position, income and cash flows, including the nature and effect of changes in accounting policies from those used in the Corporation's Canadian GAAP audited consolidated financial statements for the year ended December 31, 2010.

All 2010 financial measures reported in this MD&A as comparative figures have been adjusted to reflect the transition to IFRS, as have the financial measures for all 2010 quarters reported in the summary of quarterly results. The accounting policies applied in these interim unaudited consolidated financial statements are based on IFRS issued and outstanding as of May 11, 2011. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these interim consolidated financial statements, including the adjustments recognized on transition to IFRS.

The January 1, 2010, March 31, 2010 and December 31, 2010 balance sheets were adjusted to reflect the following:

- The investment in joint venture was proportionately consolidated under Canadian GAAP, however under IFRS, McCoy is accounting for the joint venture using the equity method. We chose to account for the joint venture using the equity method because it is expected that the new joint venture standard expected to be released before the end of 2011 will prohibit the use of the proportionate consolidation method. An adjustment has been made to remove the 50% interest in Prairie Truck Ltd. from assets and liabilities and record the initial investment, plus McCoy's share of net income since acquisition as an investment in joint venture.
- Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of assets or liabilities to which the deferred income tax relates or the expected timing of reversal. Under Canadian GAAP, deferred income tax relating to current assets or current liabilities must be classified as current. Accordingly, the current deferred income tax assets reported under Canadian GAAP of $1.54 million at January 1, 2010, $1.67 million at March 31, 2010, and $1.38 million at December 31, 2010 have been reclassified as non-current under IFRS.
- Under Canadian GAAP the Corporation recorded its deferred income tax assets and liabilities based on the underlying asset or liability. As a result, some deferred income tax

assets and liabilities between different jurisdictions were recorded on a net basis. Under IFRS, deferred income tax assets and liabilities cannot be recorded on a net basis between different jurisdictions. As a result of the reclassifications, the deferred income tax asset and liabilities have increased by $1.34 million at January 1, 2010, $1.23 million at March 31, 2010 and $0.87 million at December 31, 2010.

- In accordance with IFRS transitional provisions, the Corporation elected to revalue land by $2.61 million to its fair value of $2.80 million at January 1, 2010, and also recorded the impact on deferred income tax liabilities.
- An impairment loss of $0.41 million was recognized at January 1, 2010 for property, plant and equipment for which impairment indicators existed on transition to IFRS. This impairment was not recognized under Canadian GAAP. As at December 31, 2010 this impairment was reassessed and it was determined an impairment reversal of $0.34 million was necessary. The corresponding effect on deferred income tax assets was also adjusted.
- On transition to IFRS, the Corporation was required to assess whether any impairment losses previously recognized under Canadian GAAP should be reversed. Impairment losses under IFRS must be reversed if the carrying amount of the asset is less than the recoverable amount, which is the higher of the asset's fair value less cost to sell or value in use. Reversals of impairment losses are prohibited under Canadian GAAP. Under Canadian GAAP, an impairment loss of $0.90 million was recorded against the intangible assets, specifically the trade name of "Superior Manufacturing and Hydraulics Inc." The impairment loss has been reversed at January 1, 2010 as the recoverable amount was higher than the carrying amount of the asset. The corresponding effect on deferred income tax assets was also adjusted.
- In accordance with IFRS transitional provisions, the Corporation elected to take the exemption not to apply IFRS 3, Business Combinations, retrospectively to past business combinations that occurred before the transition date. However, the corporation was still required to consider whether amounts previously reported under Canadian GAAP should be restated to comply with IFRS. This includes the contingent consideration that was not recorded under Canadian GAAP because there was insufficient assurance that a payment would be required. Under IFRS, contingent consideration is recorded subsequent to the acquisition, if payment of the contingent consideration is probable and can be measured reliably. Accordingly, the Corporation has recorded an adjustment through retained earnings to recognize the fair value of the contingent consideration of $0.27 million at January 1, 2010.
- Under IFRS, provisions are required to be separately disclosed whereas under Canadian GAAP, provisions are included in trade and other payables. Accordingly, an adjustment has been recorded to reclassify provisions of $0.26 million from trade payables at January 1, 2010, $0.25 million at March 31, 2010 and $0.44 million at December 31, 2010.
- Gains arising on sales-leaseback transactions resulting in operating leases under IFRS are required to be recognized in income when the transaction occurs. Under Canadian GAAP, gains are deferred and amortized over the lease term. Accordingly, the deferred gain recognized under Canadian GAAP of $0.83 million at January 1, 2010 has been reversed through opening retained earnings. The corresponding effect on deferred income tax liabilities was also adjusted.

- In accordance with IFRS transitional provisions, the Corporation has elected to reset the accumulated other comprehensive income account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS. Accumulated other comprehensive income has been decreased and retained earnings has been increased by $0.02 million at January 1, 2010.
- On December 31, 2010, the Corporation sold McCoy Parts and Service which resulted in the assets and liabilities of McCoy Parts and Service being classified as discontinued operations in the statement of financial position at December 31, 2009. Under IFRS, the prior period comparative balances are not restated for discontinued operations. As a result, the December 31, 2009 and January 1, 2010 balances have been adjusted to remove the discontinued operations presentation.

Under IFRS, the statement of income and comprehensive income was adjusted to reflect the following:

- The most significant change to the statement of income and comprehensive income comes in the form of presentation. Under IFRS we are required to present the statement of income by either function or nature. McCoy previously classified expenses using a mixture of both function and nature. For example, the income statement previously included expenses by function such as operations, selling and administrative and also expenses by nature such as amortization, salaries and stock-based compensation. As a result, in order to present expenses based on function, expenses previously presented based on their nature were allocated to different functions within the statement of income and comprehensive income such as cost of goods sold, general and administrative and sales and marketing based on different allocation factors.

  The allocations of salaries, amortization and a number of expenses previously captured in operations expense under Canadian GAAP, to cost of goods sold has had an impact on the Corporation's gross margin. Gross margin for the year-ended December 31, 2010 decreased by 12.7%, to 28.1% under IFRS. Under Canadian GAAP the gross profit percentage was 40.8%. This change in allocations has not had an impact on EBITDAS as a percentage of revenue.
- Amortization of the deferred gain of $0.03 million for the three months ended March 31, 2010 and $0.10 million for the year ended December 31, 2010 have been reversed through general and administrative expenses.
- In the first quarter of 2010, it was determined that the payment of contingent consideration for the Superior and PDT acquisition was no longer probable and the $0.27 million provision was reversed through general and administrative expenses.
- As at December 31, 2010 the impairment previously recognized was reversed by $0.34 million which resulted in a decrease to general and administrative expenses.

IFRS has not had a significant impact on McCoy's operations and the majority of change has been reflected in reclassifications of balances and presentation and disclosure within the financial statements. The effect of IFRS on retained earnings was an increase of $2.92, $3.18, and $3.41 million as at January 1, 2010, March 31, 2010, and December 31, 2010 respectively.

Three Months Ended March 31

	IFRS		CGAAP
	2011	2010	2009
($000 except per share amounts)	$	$	$
Total revenue	34,642	20,029	26,464
Net earnings for the period from continuing operations	1,821	507	383
Net earnings for the period	1,821	436	331
Basic earnings per share from continuing operations	0.07	0.02	0.01
Basic earnings per share	0.07	0.02	0.01
Diluted earnings per share from continuing operations	0.07	0.02	0.01
Diluted earnings per share	0.07	0.02	0.01
Earnings from continuing operations before other and income taxes for the period[(1)]	2,673	652	643
Basic earnings from continuing operations before other and income taxes per share	0.10	0.02	0.02
Diluted earnings from continuing operations before other and income taxes per share	0.10	0.02	0.02
EBITDAS[(1)]	3,991	1,851	2,179
EBITDAS[(1)] per share	0.15	0.07	0.08
Cash flow generated from (used in) continuing operating activities	2,220	(558)	2,995
Cash flow generated from (used in) continuing operating activities per share	0.08	(0.02)	0.11
Total Assets	89,688	77,842	96,298
Total Liabilities	29,989	22,415	27,326
Total Long-term Liabilities	9,183	9,021	9,896

The comparison of the previous periods show that we are returning to the activity levels when rig counts were much higher as the financial performance has continued to improve in the first quarter of 2011. Revenues from continuing operations are the highest level since the third quarter of 2008 when revenues from continuing operations were $39.6 million. Total revenue from continuing operations has increased by 4.6% from the fourth quarter of 2010 which is slightly lower than the worldwide rig count increase of 6% from December 2010 to March 2011.[a] McCoy's order backlog remains strong and is growing; Management has confidence for the remainder of 2011 however it is difficult to predict where the market will be in 2012 and beyond.

Net earnings from continuing operations for the period have increased to 5.3% as a percentage of revenue from 2.5% for the same period in 2010. EBITDAS has also increased to 11.5% as a percentage of revenue from 9.2% in 2010. These increases are directly attributable to McCoy reducing its expenses to 18.8% of revenues for the first quarter of 2011 compared to 24.2% for the same period in 2010. More specifically, in the Mobile Solutions segment, along with the efficiencies gained from the improved manufacturing processes, profitability has improved as a result of the sharp rebound in the rig moving and pressure pumping markets. Over the last two years surplus manufacturing capacity in the industry has been largely consumed and demand has surpassed supply, leading to a healthy backlog for the Mobile Solutions segment. The Trailer division of this segment has subcontracted two trailer manufacturing plants in the southern U.S. in order to keep up with demand. These agreements have allowed for an increase in Trailer revenues by approximately 30%.

The Board of Directors has reinstated a quarterly dividend of $0.01 per common share starting the first quarter of 2011. A dividend of $0.01 per common share was declared on March 10, 2011 and paid on March 31, 2011. A dividend was not declared during 2010 and the fourth quarter of 2009 as the Board of Directors felt that it was prudent to preserve cash given the uncertainty in market conditions and to ensure availability of future growth capital. McCoy's Board of Directors declared a quarterly dividend of $0.01 per common share on September 30, 2009, which was paid on October 15, 2009, declared and paid a quarterly dividend of $0.01 per common share on June 30, 2009, March 31, 2009 and $0.03 per common share on December 31, 2008.

On March 17, 2011, McCoy's Board of Directors declared a special dividend of $0.04 per common share, which was paid on April 11, 2011. The special dividend was declared as a result of McCoy's 2010 financial results and the strategic sale of McCoy Parts & Service. The special dividend continues McCoy's philosophy of rewarding long-term shareholders while keeping the momentum of building McCoy's balance sheet strength and investing in growth.

[(1)] Non-GAAP Measurements

Earnings from continuing operations before other and income taxes for the period is a non-GAAP measurement defined as "earnings from continuing operations before the impact of other gains and losses and income taxes". Earnings from continuing operations before other and income taxes for the period is a key measure used by management to evaluate earnings from operations.

EBITDAS is a non-GAAP measurement defined as "earnings from continuing operations before other non-recurring items, interest, taxes, depreciation, amortization and share-based compensation". McCoy reports on EBITDAS because it is a key measure used by management to evaluate performance. EBITDAS is utilized in making decisions relating to distributions to shareholders. McCoy believes EBITDAS assist investors in assessing McCoy's performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods or non-operating factors such as historical cost.

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[a] Baker Hughes, Inc. Investor Relations, http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, accessed April 2011.

EBITDA is a non-GAAP measurement defined as “earnings from continuing operations before other non-recurring items, interest, taxes, depreciation and amortization” and is used in monitoring compliance with debt covenants.

EBITDAS and EBITDA are not considered an alternative to net earnings in measuring McCoy’s performance. EBITDAS and EBITDA do not have a standardized meaning and are therefore not likely to be comparable to similar measures used by other issuers. However, McCoy calculates EBITDAS and EBITDA consistently from period to period. EBITDAS and EBITDA should not be used as exclusive measures of cash flow since they do not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statement of cash flows.

EBITDA and EBITDAS have been calculated as follows for the three months ended March 31:

	IFRS		**CGAAP**
	2011	**2010**	**2009**
($000)	**$**	**$**	**$**
Net earnings for the year from continuing operations	1,821	507	383
Income taxes	872	88	260
Interest on debt	69	62	200
Amortization	1,067	1,062	1,180
EBITDA	**3,829**	**1,719**	**2,023**
Share-based compensation	162	132	156
EBITDAS	**3,991**	**1,851**	**2,179**

Results of Operations

Sales by Operating Segment – Three Months Ended March 31

($000 except percentages)	**Energy Products & Services** $	**Mobile Solutions** $	**Inter-Segment Eliminations** $	**Total** $
2011 sales	19,582	16,305	(1,245)	34,642
2010 sales	15,298	6,153	(1,422)	20,029
Annual Percentage Increase	28%	165%		73%

Revenue for the EP&S segment increased by 28% or $4.3 million to $19.6 million in 2011 from sales of $15.3 million in the first quarter of 2010 due to increased spending in global drilling equipment and down-hole tool markets in these comparative quarters. This is higher than the increase in the worldwide rig count of 19% from Q1 of 2010.[b] International drilling activity continues to be a bright light as international sales remain strong in certain countries due to the strong price of oil. As the number of rigs working internationally and in North America increase, McCoy expects that demand for capital equipment will improve which will be positive for both the EP&S and Mobile Solution segments. While rig counts have increased substantially over the last year they still remain slightly below 2008 peak levels; however, McCoy is experiencing increases for both quoting and orders. Capital equipment orders for drilling & completions projects typically lag the immediate increase in drilling rig activity and this cycle is no exception. EP&S continues to experience a strong backlog build up, and the revenue pipeline for drilling and completions equipment has recovered, although not to 2008 levels. If drilling activity levels drop, the improving demand for capital equipment could be derailed.

The Coatings & Hydraulics division of the EP&S segment has also experienced a slow recovery from the significant market slowdown of 2009. Over half of Inotec's historic revenues were generated by providing turnkey products, finish coatings or refurbishment of down-hole tools. This market is heavily influenced by active conventional rig counts in North America. In 2009, rig count activity dropped significantly and the down-hole tool business for Inotec dried up. We are now seeing a steady recovery as our customers have worked through their inventories that were built up prior to the slowdown of 2009. However, the hydraulics portion of the business which derives the majority of its revenue from customers operating equipment in the oil sands has remained strong and Inotec is looking to increase market-share in this area.

The Mobile Solutions segment experienced an increase in revenue of $10.1 million, from $6.2 million in the first quarter of 2010 to $16.3 million for the same period in 2011. The increase was primarily due to the continued recovery in conventional oil and gas activity in the WCSB, from which the majority of revenue for the Mobile Solutions segment is derived. Management is taking a conservative view on long-term capital equipment spending by these regional customers.

The Trailers division of the Mobile Solutions segment has been successful in generating revenue above forecast and has almost tripled the revenues for the same period in 2010, primarily due to steady demand for more horsepower for multi-stage fracturing. This has driven the demand for additional custom chassis trailers. Capital equipment spending is continuing by key pressure pumping companies. The Marcellus, Barnett, Woodford, Eagle Ford and Haynesville shale plays are drawing fracturing and rig moving equipment into the regions. The backlog for standard rig moving trailers in the WCSB is steadily building.

The sales backlog for the Trailer division remains strong, primarily in the custom drilling, well stimulation and servicing trailer market, both domestically and internationally. This strength is a result of the demand for more pressure pumping capacity to support horizontal drilling and multi-stage fracturing. McCoy is the market leader for these custom products in North America.

The Penticton plant is operating at approximately 80% capacity. Additional plant capacity has been achieved by subcontracting two trailer manufacturing plants in the southern U.S. These facilities are much closer to our US customers and have allowed us to increase revenue sooner. Plant efficiencies have improved based on adjustments made within the supply chain during the latter part of 2010.

Revenues from the Vac & Hydrovac division of the Mobile Solutions segment continued to struggle throughout this quarter however we are experiencing a strong increase in quoting and

[b] Baker Hughes, Inc. Investor Relations, http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, accessed April 2011.

sales. Rebel's traditional market has been the WCSB which has experienced a recovery in the conventional oil and gas sector.

Gross Profit by Operating Segment – Three Months Ended March 31

($000 except percentages)	**Energy Products & Services** $	**Mobile Solutions** $	**Total** $
2011 Gross Profit	5,995	3,198	9,193
% of Sales	31%	20%	27%
2010 Gross Profit	4,472	961	5,433
% of Sales	29%	16%	27%
Annual Percentage Increase	2%	4%	-%

Consolidated gross profit percentage is at 27% for the first quarter of 2011 which is consistent with the gross profit of 27% for the first quarter of 2010. Gross margin has remained consistent even though the revenue mix includes a greater percentage of revenues from the Mobile Solutions segment, which has lower margins than EP&S. This is a result of McCoy's continued monitoring and reduction of overhead costs where possible to ensure protection of the gross profit in times of increased activity.

EP&S increased gross profit by 34% or $1.5 million, from $4.5 million for the first quarter of 2010 to $6.0 million for the same period of 2011. The increase is tied directly to the increase in sales for the period and to the reduction of manufacturing overhead costs. Gross profit as a percentage of sales increased from 2010 due to reductions in overhead costs and manufacturing efficiencies.

Mobile Solutions segment's gross profit increased by $2.2 million or 233%, from $1.0 million for the first quarter of 2010 to $3.2 million for the same period in 2011. This increase relates to increased activity in Western Canada as well as the U.S. land market.

General and Administration

General and administration expenses increased by $1.2 million, or 37%, for the first quarter of 2011 to $4.7 million, compared to $3.5 million in the same period of 2010. This increase is less than expected as revenues for the first quarter of 2011 have increased by 73% compared to revenues for the same period of 2010. As a percentage of revenue, general and administrative expenses are 13.6% for the first quarter of 2011 compared to 17.2% for the same period of 2010. The reduction of general and administration expenses as a percentage of revenue is primarily due to the increase in revenues, but also efficiencies attained by McCoy in most of the categories of costs included in general and administration expenses, the most significant being a reduction in salaries and benefits of approximately 2.8%.

Included in general and administration costs for the first quarter of 2011 are foreign exchange losses of $0.15 million compared to $0.10 of foreign exchange losses for the same period of 2010. The increase in the foreign exchange loss is a result of the strengthening Canadian dollar against the U.S. dollar during the first quarter of 2011. The quarterly loss is the net effect of exchange rate fluctuations on the translation of foreign currency balances to Canadian dollar balances as at March 31, 2011, as well as the conversion of certain U.S. dollar balances to avoid draws on the line of credit.

McCoy typically holds a positive net U.S. dollar working capital position, so foreign exchange gains or losses will continue as long as the Canadian to U.S. dollar exchange rate fluctuates. The subcontracted trailer manufacturing plants in the southern U.S. have mitigated a portion of the foreign exchange risk by matching costs with a common currency. McCoy will continue to monitor the currency fluctuations between the Canadian dollar and the U.S. dollar. Based on our projected requirements for converting U.S. cash to Canadian dollars, we may periodically enter into forward contracts to partially manage our exposure as necessary.

Management expects that the general and administration costs continue to decrease as a percentage of revenues throughout the year as revenues increase throughout the year.

Sales and Marketing

Sales and marketing expenses have increased by $0.5 million, or 37.4%, to $1.8 million for the first quarter of 2011 compared to $1.3 million for the same period in 2010. An increase was expected along with the increase in revenues. As a percentage of revenue, sales and marketing expenses are 5.3% for the first quarter of 2011 compared to 6.6% for the same period in 2010 representing a decrease of 1.3%. This decrease is comprised of efficiencies obtained in all categories of costs included in sales and marketing expenses. Management expects this trend to continue throughout the year.

Interest

Interest on debt of $0.07 million for the first quarter of 2011 is consistent with the $0.06 million experienced during the first quarter of 2010. Management expects the level of interest to be consistent throughout the year, with any changes corresponding to fluctuations in the prime rates in Canada and the U.S.

Summary of Quarterly Results ($000's)

	IFRS					Canadian GAAP		
	2011	2010				2009		
($000 except per share amounts)	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
	$	$	$	$	$	$	$	$
Total revenue	34,642	33,127	27,701	24,829	20,029	17,683	18,814	18,810
Net earnings (loss) from continuing operations	1,821	1,693	1,720	990	507	(10,972)	(691)	(1,343)
Net earnings (loss)	1,821	1,861	1,945	1,108	436	(11,237)	(779)	(1,478)
Basic earnings (loss) per share from continuing operations	0.07	0.06	0.06	0.04	0.02	(0.41)	(0.03)	(0.05)
Basic earnings (loss) per share	0.07	0.07	0.07	0.04	0.02	(0.42)	(0.03)	(0.06)
Diluted earnings (loss) per share from continuing operations	0.07	0.06	0.06	0.04	0.02	(0.41)	(0.03)	(0.05)
Diluted earnings (loss) per share	0.07	0.07	0.07	0.04	0.02	(0.42)	(0.03)	(0.06)

The first quarter of 2011 shows continued recovery in revenues dating back to 2009 due to improved activity in the WCSB, North America and internationally as order books have remained strong in both McCoy segments. The first quarter of 2011 has shown the highest revenues since the third quarter of 2008 as the market is showing signs of recovering to the 2008 levels. McCoy anticipates continued strengthening of financial results and activity in 2011 and is positioned well to benefit from the additional activity.

Net earnings from continuing operations as a percentage of revenue have decreased to 5.3% for the first quarter of 2011 and 5.1% for the fourth quarter of 2010, from 6.2% for the third quarter of 2010. This trend is attributable the mix in revenues from the segments. The mix in revenues for Q1 2011, Q4 2010 and Q3 2010 was 55% EP&S and 45% Mobile Solutions, 56% EP&S and 44% Mobile Solutions and 71% EP&S and 21% Mobile Solutions. The gross margins are higher in EP&S and as such, because of the revenue mix, the net earnings from continuing operations as a percentage of revenues changes with the change in revenue mix.

In Q4 2009, earnings were impacted by a $12.7 million impairment of goodwill.

Liquidity and Capital Resources

Three Months Ended March 31

	IFRS		CGAAP
	2011	**2010**	**2009**
($000)	**$**	**$**	**$**
Cash generated by (used in) operating activities	2,220	(602)	2,995
Cash (used in) generated by investing activities	(1,945)	(63)	(2,331)
Cash (used in) generated by financing activities	(481)	41	(1,232)
Foreign exchange loss on cash held in foreign currency	(153)	(68)	114
Decrease in cash	**(359)**	**(566)**	**(454)**

Cash flow generated by operating activities for the three months ended March 31, 2011 increased by $2.8 million compared to the same period in 2010. This increase is related to the increase in earnings for the period along with the increase in non-cash working capital components of approximately $2.7 million which has been offset by increased income tax payments of $1.9 million.

Cash used in investing activities increased by $2.0 million for the first quarter of 2011 compared to the same period in 2010. This increase is net of a $0.5 million payment received on a note receivable from the joint venture during the first quarter of 2010. The rest of the increase is comprised of capital expenditures for the implementation of a new ERP system for the Drilling & Completions business and capital expenditures for the start up of McCoy Rig Parts. The nature and purpose of these expenditures is mostly equipment purchases. The expected source of funds for these capital purchases is operating cash flows. McCoy also had cash on hand at March 31, 2011 of $15.9 million and $10 million is available under its Canadian credit facility. As at March 31, 2011, based on the levels of accounts receivable and inventories used to calculate the available credit, McCoy has access to $6.68 million of the Canadian credit facility. McCoy also has U.S. $2.15 million available under two U.S. operating line of credit facilities.

Cash used in financing activities increased by $0.5 million for the first quarter of 2011 compared to the same period in 2010. During the first quarter of 2010, McCoy received additional funds as a result of the timing of the refinancing of the debt; therefore, McCoy experienced cash flows from financing. McCoy has enjoyed reduced principal payments on borrowings as a result of refinancing its debt. McCoy's Board reinstated the quarterly dividend starting 2011 and declared and paid the regular quarterly dividend of $0.27 million during 2011 compared to $nil during the first quarter of 2010 as the Board thought it prudent to conserve cash given current economic uncertainty and to ensure the availability of growth capital. As a result of McCoy's 2010 financial results and the strategic sale of McCoy Parts & Service a special dividend of $1.06 million was declared during the first quarter of 2011 and was paid in the second quarter.

Management believes that, with the projected level of operations for 2011 and the availability of funds under the established credit facility, McCoy will have sufficient capital to fund its operations. Management is monitoring economic conditions and will manage capital spending accordingly.

Debt to Equity Ratio

March 31, 2011	December 31, 2010	March 31, 2010
0.50 to 1	0.43 to 1	0.40 to 1

The debt to equity ratio fluctuates as McCoy completes acquisitions and alternate forms of financing are used. McCoy has taken a conservative approach in its use of debt to finance operations and will continue to do so in the coming year.

Financial Instruments

McCoy's financial instruments consist of accounts receivable, notes receivable, accounts payable and accrued liabilities, long-term debt and obligations under capital lease.

Classification of Financial Instruments

McCoy has designated its financial instruments as follows:

Financial Instrument	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Notes receivable	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Borrowings	Other liabilities	Amortized cost
Finance lease liabilities	Other liabilities	Amortized cost

As at March 31, 2011 and 2010, McCoy did not have any financial assets classified as available-for-sale or held-to-maturity.

Financial Risk Management

McCoy's activities are exposed to a variety of financial risks of varying degrees of significance, which could affect the Corporation's ability to achieve strategic objectives. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Corporation's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance. The principal financial risks to which the Corporation is exposed are described below:

Foreign Currency Risk

McCoy operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The large ratio of international sales the Corporation has experienced, which are principally in U.S. dollars, may increase the risk of this exposure as U.S. dollar purchasing may not be enough to offset these international sales or the timing of U.S. dollar purchases may not correspond in any given quarter, yielding unrealized foreign exchange losses. If the businesses that sell in U.S. dollars are not able to continue to improve productivity and increase prices then margins could also be impacted. This risk is mitigated by subcontracting the two trailer manufacturing plants located in the southern U.S., as costs incurred are in U.S. dollars with the majority of sales in Canadian dollars. A $0.01 change in the Canadian dollar to U.S. dollar foreign exchange rate would result in an exchange gain or loss of approximately $0.09 million. The Corporation is also exposed to foreign exchange risk through its net investments in foreign operations and a $0.01 change in the Canadian dollar to U.S. dollar foreign exchange rate would result in a change in other comprehensive income of approximately $0.03 million.

Interest Rate Risk

McCoy is subject to interest rate risk which arises from its floating rate borrowings and finance lease liabilities. McCoy does not currently hold any financial instruments that mitigate this risk and management believes that the impact of interest rate fluctuation will not be significant. For each 1% change in the rate of interest on loans subject to floating rates, the change in annual interest expense is approximately $0.06 million (March 31, 2010 – $0.07 million) based upon applicable debt balances at March 31, 2011.

Credit Risk

McCoy is exposed to credit risk through its accounts receivable from customers. McCoy manages credit risk by following a program of credit evaluation, obtaining deposits on certain orders and by limiting the amount of customer credit. Allowances are provided for potential losses that have been incurred at the balance sheet date. The amounts disclosed in the balance sheet for accounts receivable are net of the allowance for doubtful accounts amounting to $0.20 million (December 31, 2010 – $0.21 million). McCoy also has foreign sales which are normally paid prior to shipping. For the periods ended March 31, 2011 and March 31, 2010, McCoy did not have any customers that represented greater than 10% of its revenue.

As of March 31, 2011, trade receivables of $11.61 million were fully performing (December 31, 2010 – $7.87 million). The credit quality of these receivables is determined based on credit evaluations and management's past experience with the customers.

As of March 31, 2011, trade receivables of $2.93 million were past due but not impaired (December 31, 2010 – $5.09 million). These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	March 31 2011 $	December 31 2010 $
0 to 30 days (current)	11,701	6,872
31 to 60 days	2,373	3,552
61 to 120 days	586	2,648
Over 120 days	46	89
Sub-total accounts receivable	14,706	13,161
Less: Allowance for doubtful accounts	201	211
Trade receivables	14,505	12,950
Prepaid expenses	935	1,020
Other receivables	319	2,971
Total trade and other receivables	15,759	16,941

As of March 31, 2011, trade receivables of $0.17 million had indications of possible impairment (December 31, 2010 – $0.20 million). The individually impaired receivables mainly relate to customers which are in difficult economic situations. Management has determined on a customer by customer basis that an impairment provision of $0.20 million is sufficient to cover any further collection risk on these receivables.

Movements on the Corporation’s provision for impairment of trade receivables are as follows:

	2011 $
At January 1	211
Provision for receivables impairment	(23)
Receivables written off during the period as uncollectible	13
At March 31	201

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the ability of funding through an adequate amount of committed credit lines. The Corporation aims to maintain flexibility in funding by keeping committed credit lines available. Cash on hand at the period end was $15.9 million and $6.68 million was available under the Canadian credit facility and U.S. $2.15 million available under two U.S. operating line of credit facilities as at March 31, 2011.

The following table shows the maturity analysis of financial liabilities based on remaining contractual maturities (assuming no renewals):

As at March 31, 2011	**Trade and other payables $**	**Finance lease liabilities $**	**Borrowings $**	**Total $**
2011	17,654	256	339	18,249
2012	-	249	452	701
2013	-	187	452	639
2014	-	33	452	485
2015	-	6	3,752	3,758
Thereafter	-	-	-	-
	17,654	731	5,447	23,832

As at December 31, 2010	**Trade and other payables $**	**Finance lease liabilities $**	**Borrowings $**	**Total $**
2011	14,910	362	452	15,724
2012	-	252	452	704
2013	-	187	452	639
2014	-	33	452	485
2015	-	5	3,752	3,757
Thereafter	-	-	-	-
	14,910	839	5,560	21,309

Fair value

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short terms to maturity.

The fair values of the notes receivable, borrowings and finance lease liabilities approximate their carrying values since their stated interest rates approximate the market interest rates at March 31, 2011 and December 31, 2010.

Capital Management

The Corporation's objectives when managing its capital are to safeguard the Corporation's assets and its ability to continue as a going concern while at the same time maximizing the growth of its business and the return to its shareholders. McCoy views its capital as the combination of long-term debt and shareholders' equity.

McCoy's capital is as follows:

($000)	March 31 2011 $	December 31 2010 $
Borrowings	4,995	5,108
Finance lease liabilities	378	477
Total long-term debt	**5,373**	**5,585**
Shareholders' equity	59,699	60,215
Total equity	**59,699**	**60,215**
Total capital	**65,072**	**65,800**

McCoy sets the amount of capital in proportion to risk and manages and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Corporation may assume additional debt, issue new shares, or sell assets to reduce debt.

McCoy's key financial covenant with its lender is Funded Debt to EBITDA, calculated on a rolling four quarter basis, as a result of a financing agreement executed on January 29, 2010.

The following table sets forth the calculation of Funded Debt to EBITDA:

($000 except ratios)	March 31 2011 $	December 31 2010 $
Current portion of borrowings	452	452
Current portion of finance lease obligations	353	362
Borrowings	4,995	5,108
Finance lease obligations	378	477
Less: Canadian denominated cash on deposit	(4,908)	(7,151)
Total Funded Debt	**1,270**	**(752)**
Normalized rolling four quarter EBITDA	**13,919**	**11,809**
Funded Debt to EBITDA	**0.09**	**(0.06)**

The change in the Funded Debt to EBITDA ratio was mainly due to the fact that the Corporation has less Canadian denominated cash on deposit than funded debt. Capital management objectives, policies and procedures were unchanged since the last period.

The Corporation's lending requirements as per the financing agreement executed on January 29, 2010 are subject to:

- Maintenance of the ratio of current assets to current liabilities of no less than 1.25:1
- Funded Debt to EBITDA(1), calculated on a rolling four-quarter basis, of 2.50:1 or less;
- An EBITDA(1) to interest expense plus the current portion of long-term debt ratio of greater than 1.20 to 1; and
- Starting 2011, a payment to a maximum of $0.25 million per year is required if EBITDAS(1) is less than $5.0 million per year.

Inventories

($000)	March 31, 2011	December 31, 2010
Raw materials	3,411	2,396
Work-in-progress	7,505	5,550
Finished goods	7,570	6,942
	18,486	14,888

During the three months ended March 31, 2011, cost of sales was $25.4 million (2010 – $14.6 million), which included $22.2 million (2010 – $11.8 million) of costs associated with inventory and $0.03 million of inventory recoveries (2010 – write-downs of $0.64 million).

The increase in work-in-progress is a result in the increased activity since the beginning of the year and a reflection of the strong order backlog.

Contractual Obligations and Off Balance Sheet Arrangements

In its continuing operations, McCoy has from time to time entered into long-term contractual arrangements for its operational facilities and debt financing. The following table presents contractual obligations arising over the next five years from the arrangements currently in force:

($000)	Total	2011	2012	2013	2014	2015	Thereafter
Operating lease obligations	13,496	1,564	1,833	1,661	1,616	1,597	5,225
Finance lease liabilities	790	286	271	193	34	6	-
Borrowings	5,447	339	452	452	452	3,752	-
Total	19,733	2,189	2,556	2,306	2,102	5,355	5,225

Transactions with Related Parties

Rental expense

A subsidiary of the Corporation entered into lease agreements with a company owned by certain directors. These individuals are also directors of Foundation Equity Corporation, a 43% shareholder of the Corporation. Minimum annual lease payments are $0.75 million per annum until 2013 and are to be renegotiated at market rates for the last five years of the lease. $0.52 million of the minimum lease payments will be recovered through a sublease. These transactions were made in the normal course of business and are recorded at the exchange amount being the amount of consideration established and agreed to by the related parties.

Property Leases

Another subsidiary of the Corporation entered into lease agreements with a company whose principal is an officer of the Corporation. Minimum annual lease payments are $0.44 million per year until 2017. The Corporation has the option to renew the lease for another five years at $0.47 million per year. These transactions were made in the normal course of business and are recorded at the exchange amount being the amount of consideration established and agreed to by the related parties.

Outstanding Share Data

As at May 11, 2011 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	26,505,912
Convertible equity securities	
Stock options	1,175,000

Upon exercise, the stock options are convertible into an equal number of common shares.

For details relating to the stock options, please refer to Note 10 of the unaudited consolidated interim financial statements.

Interest in Joint Venture

Details of the Corporation's share of the revenue and profits of its joint venture are given below.

($000)	March 31 2011 $	March 31 2010 $
Share of joint venture revenue and profits		
Revenue	1,771	1,047
Cost of sales	(1,652)	(968)
General and administrative	(17)	(19)
Sales and marketing	(12)	(5)
Interest expense	5	1
Share of joint venture profits	95	56

Critical Accounting Estimates

The preparation of the Corporation's financial statements, in conformity with IFRS, requires the management of the Corporation to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Management regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty and, therefore, amounts currently reported in the financial statements could differ in the future.

Amortization Policies and Useful Lives

The Corporation amortizes property, plant and equipment and intangible assets over the estimated useful lives of the assets. In determining the estimated useful life of these assets, significant judgment by management is required. In determining these estimates, the Corporation takes into account expectation of the in-service period of these assets. The Corporation assesses the estimated useful life of these assets on an annual basis to ensure they match the anticipated life of an asset from a revenue producing perspective. If the Corporation determines that the useful life of an asset is different from the original assessment, changes to amortization will be applied prospectively.

Purchase Price Allocation

The Corporation completed acquisitions of Rebel (2005), Inotec (2006), Superior (2007), PDT (2007) and RP (2009). The allocations of the purchase prices for these transactions involved determining the fair values assigned to the tangible and intangible assets acquired. The Corporation uses independent valuators to determine the fair value of intangible assets of the acquired companies. The fair value of the tangible assets is allocated based on a calculation by management.

Recent Accounting Pronouncements Issued and Not Yet Adopted

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Additionally, in October 2010 IFRS 9 was updated for classification and measurement of financial liabilities.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. Under IAS 39 most liabilities were subsequently measured at amortized cost or bifurcated into a host, which is measured at amortized cost, and an embedded derivative, which is measured at fair value. Liabilities that are held for trading (including all derivative liabilities) were measured at fair value. The requirements related to the fair value option for financial liabilities were changed to address own credit risk.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Other than the above standard not yet assessed in terms of impact, there were no new accounting pronouncements issued by the IASB that are expected to have a material impact on McCoy.

Internal Controls over Financial Reporting and Disclosure Controls

Management has evaluated whether there were changes in our Internal Controls over Financial Reporting (ICFR) during the three-month period ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our ICFR. There has been no significant change in our risk factors from those described in our 2011 Financial Report. Please see page 23 of McCoy's 2010 Financial Report for a discussion of internal controls over financial reporting and disclosure controls.

Critical Risks and Uncertainties

There has been no significant change in our critical risks and uncertainties from those described in our 2010 Financial Report. Please see pages 24 - 27 of McCoy's 2010 Financial Report.

Outlook

2010 was a bridge year for McCoy in terms of transitioning from a difficult market when the worldwide economy slowed down in 2009 back to a more normal economy. As a result of McCoy's cost cutting measures and continued focus on expanding our global reach, we have been able to strengthen our balance sheet and position ourselves to take advantage of the recovering markets.

In 2010, McCoy sold the Truck and Trailer Parts & Services division of McCoy and the service and parts division of Peerless Limited. This strategic divestiture for McCoy allows the Corporation to focus on global expansion in the energy industry and grow the most profitable businesses in the EP&S and Mobile Solutions segments.

McCoy anticipates continued growth in 2011 due to increased worldwide rig counts and McCoy's strategic position. The first quarter of 2011 represents the highest level to date in McCoy's revenues since the third quarter of 2008. McCoy expects 2011 to continue to show growth; however, the Corporation is continuing to view the recovery cautiously to ensure the revitalization is sustained.

During the first quarter of 2011, McCoy's EP&S segment could not keep pace with demand. Products could not be manufactured or delivered fast enough to meet demand and reach full revenue and earnings potential for the quarter. This is generally due to the ramp up period required to increase production. With new employees being hired and trained at the beginning of this year, it is now expected that McCoy will move closer to its performance potential in the second quarter and beyond.

These challenges are welcomed by McCoy, as there is significant opportunity for growth. McCoy has a positive view for the remainder of 2011, with plenty of demand for the Corporation's products for the period up until the end of the year.

International drilling activity continues to be a bright light as international sales remain strong in certain countries due to the recovering price of oil. While rig counts have increased substantially over the last year they still remain slightly below 2008 peak levels; however, McCoy is seeing both quoting and order activities increase, particularly for custom trailer chassis. EP&S continues to experience a strong backlog build up and the revenue pipeline for drilling and completions equipment has recovered. If drilling activity levels drop, the improving demand for capital equipment could be derailed.

The sales backlog for the Trailers division of Mobile Solutions remains strong, primarily in the custom drilling, well stimulation and servicing trailer market, both domestically and in the U.S. This strength is a result of the demand for more pressure pumping capacity to support horizontal drilling and multi-stage fracturing. McCoy is the market leader for these custom products in North America.

McCoy has expanded its footprint into Houston, Texas, the "hub" of the global oil and gas industry, where we have purchased a facility during the first quarter of 2011. This location will be the anchor point for McCoy's international sales and marketing team, will house an additional engineering design group, and will provide calibration services for many of McCoy's Houston-based customers. In the future, this facility will be a distribution point for drilling equipment parts and consumables.

McCoy's EP&S segment is focused on growing its replacement parts and service business for drilling equipment used worldwide. On September 30, 2010, the McCoy Board approved the capital expenditure for organic growth, which will be developed within Superior Manufacturing & Hydraulics plant. This new product line will sell Superior and Farr spare parts, along with other rig equipment replacement parts, to McCoy's customers. While McCoy has historically been a provider of capital equipment, we now look to be a participant in the entire life cycle of our products, allowing us to capitalize on the recurring revenue from maintaining this equipment, which is a large worldwide market that McCoy has the ability to penetrate.

In addition, McCoy will continue to pursue opportunities to fill in certain product offerings that will make the Corporation an integrated supplier of drilling equipment. This is part of McCoy's long term strategy to become a significant supplier of this equipment globally. This will be done both through internal research and development as well as strategic acquisitions. McCoy has ramped up its investment in new product development and will continue to invest in bringing new and innovative ideas to the market.

Acquiring some of the product technologies for our drilling & completions equipment markets is also on the radar. Although product development and geographic expansion is key to our future growth, there are, and will continue to be, strategic acquisition opportunities that could benefit McCoy.

Growth in the Mobile Solutions segment will be pursued through market expansion into the United States and overseas; and diversification of the product offering into less cyclical markets using McCoy's internal engineering expertise. The ongoing development of trailer models for the wind energy transportation and specialized oilfield rig moving markets is an example of this strategy.

The consolidation of McCoy's custom heavy-duty trailer production facilities into the Penticton plant provided efficiencies and reduced operating costs in the near and long-term. These efficiencies along with revenues generated above forecast look to McCoy Trailers having another strong year.

McCoy has experienced recovery in almost all of the Corporation's business units since the economic downturn in 2009. Provided that commodity prices for oil and natural gas hold up or improve, McCoy anticipates continued growth in 2011 due to increased worldwide rig counts and McCoy's strategic position. The first quarter of 2011 represents the highest level to date in McCoy's revenues since the third quarter of 2008. McCoy expects 2011 to continue to show growth; however, the Corporation is continuing to view the recovery cautiously to ensure the revitalization is sustained. We believe there are interesting and exciting opportunities to execute McCoy's growth strategy, organically, as well as through potential strategic acquisitions, and the strength of our balance sheet gives us the flexibility to take advantage of our opportunities.

Other Information

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2010 is available on SEDAR at www.sedar.com.

Interim Consolidated Statement of Financial Position
As at March 31, 2011, December 31, 2010, and January 1, 2010
(Unaudited)

($000)	Note	March 31 2011 $	December 31 2010 $ (note 5)	January 1 2010 $ (note 5)
Assets				
Current assets				
Cash and cash equivalents		15,884	16,243	3,782
Trade and other receivables		15,759	16,941	10,028
Current notes receivable	6	163	163	40
Current income tax asset		-	-	4,761
Inventories		18,486	14,888	17,784
Assets held for sale		723	750	-
		51,015	48,985	36,395
Non-current assets				
Notes receivable	6	1,054	1,069	987
Deferred income tax assets		2,197	1,733	2,437
Investment in joint venture		1,457	1,362	1,261
Property, plant and equipment	7	20,834	19,913	22,270
Intangible assets	8	13,131	13,232	13,795
Total assets		89,688	86,294	77,145
Liabilities				
Current liabilities				
Trade and other payables		17,654	14,910	11,472
Dividends payable	15	1,059	-	-
Provisions		556	439	521
Current income tax liabilities		732	1,329	-
Current portion of borrowings		452	452	844
Current portion of finance lease liabilities		353	362	406
		20,806	17,492	13,243
Non-current liabilities				
Borrowings		4,995	5,108	4,917
Finance lease liabilities		378	477	850
Deferred income tax liabilities		3,810	3,002	2,854
Total liabilities		29,989	26,079	21,864
Equity				
Share capital	9	56,014	56,014	56,014
Contributed surplus		3,341	3,224	2,986
Accumulated other comprehensive income		(1,784)	(654)	-
Accumulated earnings (deficit)		2,128	1,631	(3,719)
Total equity		59,699	60,215	55,281
Total liabilities and equity		89,688	86,294	77,145

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

Interim Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2011 and 2010
(Unaudited)

($000)	**Note**	**2011**	**2010**
		$	**$**
			(note 5)
Revenue		34,642	20,029
Cost of sales		25,449	14,596
Gross profit		9,193	5,433
General and administration		4,727	3,451
Sales and marketing		1,819	1,324
Other gains and losses (net)		(20)	57
Share of income from joint venture		(95)	(56)
Interest expense		69	62
		6,500	4,838
Earnings from continuing operations before income taxes		2,693	595
Income taxes			
Current		1,036	153
Deferred		(164)	(65)
		872	88
Earnings from continuing operations		1,821	507
Loss from discontinued operations (net of tax)		-	(71)
Net earnings for the period		1,821	436
Other comprehensive income			
Currency translation adjustment		(1,130)	(409)
Comprehensive income for the period		691	27
Earnings per share			
Basic ($)	12	0.07	0.02
Diluted ($)	12	0.07	0.02

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

Interim Consolidated Statement of Changes in Equity
For the three months ended March 31, 2011 and the year ended December 31, 2010
(Unaudited)

($000, except # of shares)	Common shares Issued #	Capital $	Contributed surplus $	Accumulated other comprehensive income $	Accumulated (deficit) earnings $	Total equity $
Balance – January 1, 2010	26,475,912	56,014	2,986	-	(3,719)	55,281
Net income	-	-	-	-	436	436
Cumulative translation adjustment	-	-	-	(409)	-	(409)
Stock based compensation expense	-	-	119	-	-	119
Balance – March 31, 2010	26,475,912	56,014	3,105	(409)	(3,283)	55,427
Net income	-	-	-	-	4,914	4,914
Cumulative translation adjustment	-	-	-	(245)	-	(245)
Stock based compensation expense	-	-	151	-	-	151
Cancelled unvested stock options	-	-	(32)	-	-	(32)
Balance – December 31, 2010	26,475,912	56,014	3,224	(654)	1,631	60,215
Net income	-	-	-	-	1,821	1,821
Cumulative translation adjustment	-	-	-	(1,130)	-	(1,130)
Stock based compensation expense	-	-	117	-	-	117
Dividends declared and paid	-	-	-	-	(265)	(265)
Dividends declared and unpaid	-	-	-	-	(1,059)	(1,059)
Balance – March 31, 2011	26,475,912	56,014	3,341	(1,784)	2,128	59,699

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

Interim Consolidated Statement of Cash Flows
For the three months ended March 31, 2011 and 2010
(Unaudited)

	Note	2011 ($000)	2010 ($000)
Cash provided by (used in)			
Operating activities			
Net earnings from continuing operations for the period		1,821	507
Adjustments for:			
Amortization of property, plant and equipment and intangibles		1,067	1,062
Share based compensation		162	132
Current income tax expense		1,036	153
Deferred income tax expense		(164)	(65)
Interest expense		69	62
		3,991	1,851
(Gain) loss on disposal of property, plant and equipment		(21)	57
Share of income from joint venture		(95)	(56)
		3,875	1,852
Changes in items of working capital	14	47	(2,623)
Interest paid		(69)	(62)
Income taxes (paid) refunded		(1,633)	275
Net cash generated from (used in) continuing operating activities		2,220	(558)
Net cash used in discontinued operating activities		-	(44)
Net cash generated from (used in) operating activities		2,220	(602)
Investing activities			
Proceeds from notes receivable		-	510
Proceeds from sale of assets held for sale		27	-
Purchases of property, plant and equipment		(1,838)	(388)
Proceeds from the sale of property, plant and equipment		25	3
Purchases of intangible assets		(159)	(55)
Net cash used in continuing investing activities		(1,945)	70
Net cash used in discontinued investing activities		-	(7)
Net cash (used in) generated from investing activities		(1,945)	63
Financing activities			
Repayment of finance lease liabilities		(103)	(98)
Proceeds from borrowings		-	5,900
Repayment of borrowings		(113)	(5,761)
Dividends paid		(265)	-
Net cash (used in) generated from continuing financing activities		(481)	41
Effect of exchange rate changes on cash and cash equivalents		(153)	(68)
Decrease in cash and cash equivalents		(359)	(566)
Cash and cash equivalents – Beginning of the period		16,243	3,782
Cash and cash equivalents – End of the period		15,884	3,216

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

1) General Information

McCoy Corporation ("McCoy" or the "Corporation") provides services and equipment focused primarily on the global oil and gas sector. McCoy has two operating segments: Energy Products & Services ("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 is involved in the manufacture of vac and hydrovac equipment, as well as the manufacture of custom heavy-duty trailers largely used in the oil and gas industry for multi-stage fracturing, through two divisions: McCoy Trailers and McCoy Vac & Hydrovac.

McCoy is incorporated and domiciled in Canada. The address of the registered office is Suite 301, 9618 – 42 Avenue, Edmonton, Alberta.

2) Basis of preparation and adoption of IFRS

The Corporation prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Corporation has commenced reporting on this basis in these condensed interim consolidated financial statements. In these interim consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP ("CGAAP") before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 5, the Corporation has consistently applied the same accounting policies in its consolidated opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Corporation's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements prepared under Canadian GAAP for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 11, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS, that are given effect in the Corporation's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Corporation's Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010.

3) Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

a) Basis of measurement

These consolidated financial statements have been prepared in Canadian dollars, rounded to the nearest thousand, except when otherwise indicated, and are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions change. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

b) Consolidation

These consolidated financial statements include the accounts of McCoy Corporation, its wholly owned subsidiaries Peerless Limited, Rebel Metal Fabricators Ltd., Inotec Coatings and Hydraulics Inc., and SUPCO/PDT Holding Company and its subsidiaries, Superior Manufacturing & Hydraulics, Inc. and Precision Die Technologies, L.L.C. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities (including special purpose entities) which McCoy controls by having the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are de-consolidated from the date that control ceases.

c) Joint ventures

Joint ventures are those entities over whose activities McCoy has joint control, established by contractual agreement. Interests in joint ventures are accounted for using the equity method. Under the equity method, the investment in the joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise McCoy's share of the profit or loss of the joint venture after the date of acquisition. McCoy's share of the profit or loss of the joint venture is recognised in earnings or loss. Distributions received from a joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in McCoy's proportionate interest in the joint venture arising from changes in the joint venture's other comprehensive income. McCoy's share of those changes is recognised in other comprehensive income.

Unrealized gains on transactions between the Corporation and joint venture are eliminated to the extent of the Corporation's interest in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment in the asset transferred.

The Corporation assesses at each year end whether there is any objective evidence that its interests in joint ventures are impaired. If impaired, the carrying value of the Corporation's share of the underlying assets of the joint venture is written down to its estimated recoverable amount (being the higher of fair value less costs to sell and value in use) and charged to earnings or loss.

d) Foreign currency translation

The financial statements for each of the Corporation's subsidiaries are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency for McCoy and its subsidiaries is Canadian dollars, other than SUPCO/PDT Holding Company and its subsidiaries, whose functional currency is U.S. dollars.

At an entity level, transactions denominated in foreign currencies are translated into the entity's functional currency at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing on the balance sheet date. Currency translation differences are recognized in the earnings or loss.

On consolidation, the results of foreign operations are translated into Canadian dollars at the average exchange rate for the period and their assets and liabilities are translated in to Canadian dollars at the exchange rate prevailing on the balance sheet date. Currency translation differences, including those on monetary items that form part of a net investment in a foreign operation, are recognized in other comprehensive income as a currency translation adjustment.

e) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, deposits held with banks, and other short-term investments with an original maturity of three months or less at the date of purchase.

f) Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

i) *Financial assets and liabilities at fair value through profit or loss*: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value, with changes in fair value recognized in the consolidated statement of income. The Corporation does not have any financial assets or financial liabilities that are classified at fair value through profit or loss.

ii) *Available-for-sale investments*: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. The Corporation does not have any financial assets that are classified as available-for-sale.

iii) *Held-to-maturity financial assets*: Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are initially recognized at fair value plus transaction costs and are subsequently carried at amortized cost using the effective interest method less impairment. The Corporation does not have any financial assets that are classified as held-to-maturity.

iv) *Loans and receivables*: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Any changes in value are recognized in the earnings or loss. The Corporation's loans and receivables are comprised of cash and cash equivalents and trade and other receivables and are presented as current assets or non-current assets depending on their maturity.

v) *Other liabilities*: Other liabilities are initially recognized at fair value, net of any transaction costs incurred. Subsequently, other liabilities are measured at amortized cost using the effective interest method. Any changes in value are recognized in the consolidated statement of income. Other liabilities include trade and other payables and borrowings. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

g) Impairment of financial assets

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets carried at amortized cost is impaired. If there is objective evidence, such as significant financial difficulty of the obligor, breach of contract or it becomes probable that the debtor will enter bankruptcy, the asset is tested for impairment. The amount of loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. If in a subsequent period the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

h) Inventories

Raw materials inventory is recorded at the lower of cost or net realizable value. Cost is determined on a first in, first out or weighted average basis. Truck inventory and inventories of finished goods and work-in-progress are recorded at the lower of cost, as determined on a first in, first out basis, and net realizable value. The cost of truck inventory, inventories of finished goods and work-in-progress includes raw materials, direct labour and an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

i) Property, plant and equipment

Property, plant and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to earnings or loss during the period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated amortization and accumulated impairment losses.

Property, plant and equipment are amortized on a straight-line basis over the period of their expected useful lives as follows:

Buildings	10 – 40 years
Equipment	
Machinery	3 – 15 years
Office	3 – 12 ½ years
Automotive	3 – 12 ½ years
Computer equipment	1 – 5 years
Leasehold improvements	Term of related lease

No amortization is charged on land.

The Corporation allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and amortizes each such part separately. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statement of comprehensive income.

j) Intangible assets

Intangible assets acquired in a business combination include customer relationships, process technology, trade name, certification and intellectual property and are initially recognized at fair value at the acquisition date.

The Corporation incurs costs associated with the purchase of computer software. Computer software assets are initially recorded at cost, including directly attributable expenditures that are necessary to prepare the software for its intended use. Costs associated with maintaining computer software are recognized as an expense as incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over the period of their expected useful lives as follows:

Customer relationships	10 years
Process technology	7 years
Trade name	Indefinite life
Certification	Indefinite life
Intellectual property	15 years
Computer software	1 – 10 years

k) Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or “CGU”s). The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use, which is the present value of the expected future cash flows of the relevant asset or CGU. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The Corporation evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

l) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statement of comprehensive income in the period in which they are incurred.

m) Provisions

Provisions for warranties and legal claims, where applicable, are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

n) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to earnings or loss on a straight-line basis over the period of the lease.

The Corporation leases certain property, plant and equipment. Lease of property, plant and equipment where the Corporation has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is charged to earnings or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are amortized over the shorter of the useful life of the asset and the lease term.

o) Income tax

Income tax comprises current and deferred tax. Income tax is recognized in earnings or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using the tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

p) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

q) Share based compensation

The Corporation grants share options to certain employees. The share options are equity settled. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

The Corporation grants deferred share units to certain directors of the Corporation. The deferred share units are cash settled. Fair value is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the vesting period based on the number of awards expected to vest, by increasing liabilities. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

r) Dividends

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.

s) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Corporation's activities. Revenue is shown net of sales tax, returns and discounts and after eliminating sales within the Corporation. Sales of goods are recognized when the risk and rewards of ownership have transferred, which is typically when goods are delivered and the title has passed. Service revenue is recognized when the service is completed. Historical experience is used to estimate and provide for discounts and returns.

t) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income for the period attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation's potentially dilutive common shares comprise share options granted to employees.

u) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

v) Accounting standards issued but not yet applied

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Additionally, in October 2010 IFRS 9 was updated for classification and measurement of financial liabilities.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. Under IAS 39 most liabilities were subsequently measured at amortized cost or bifurcated into a host, which is measured at amortized cost, and an embedded derivative, which is measured at fair value. The requirements related to the fair value option for financial liabilities were changed to address own credit risk.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Other than the above standard not yet assessed in terms of impact, there were no new accounting pronouncements issued by the IASB that are expected to have a material impact on McCoy.

4) Critical accounting estimates

The preparation of the Corporation's financial statements, in conformity with IFRS, requires the management of the Corporation to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Management regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty and, therefore, amounts currently reported in the financial statements could differ in the future.

Amortization Policies and Useful Lives

The Corporation amortizes property, plant and equipment and intangible assets over the estimated useful lives of the assets. In determining the estimated useful life of these assets, significant judgment by management is required. In determining these estimates, the Corporation takes into account expectation of the in-service period of these assets. The Corporation assesses the estimated useful life of these assets on an annual basis to ensure they match the anticipated life of an asset from a revenue producing perspective. If the

Corporation determines that the useful life of an asset is different from the original assessment, changes to amortization will be applied prospectively.

Inventories

The Corporation is required to carry inventory at the lower of cost and net realizable value. The net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and cost to sell. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize and the estimate of costs to complete. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgment regarding reliability of evidence available and are reviewed on a monthly basis. During the period ended March 31, 2011, the Corporation has experienced recoveries of $26 (2010 – $637 expense) in relation to inventory that was carried in excess of the net realizable value.

Valuation of Non-Financial Assets

The Corporation uses judgments in respect of the fair values of indefinite-life intangible assets. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The assumptions used in the estimations of fair values include expected discount rates, market prices and economic conditions. Further details on the valuation of indefinite-life intangible assets are in note 8.

Recoverability of Trade and Other Receivables

Management monitors receivables for indications of impairment on an ongoing basis. Balances are reduced to their estimated realizable amounts when there is doubt regarding collection of the full amount of principal and interest. Significant assumptions relevant to these estimates relate to the financial condition of customers, the value of the underlying security, and economic trends impacting the product markets in which the Corporation participates. The Corporation has recorded a provision of $201 for trade receivables at March 31, 2011 (December 31, 2010 – $211).

Income Taxes

The interpretation of existing tax laws or regulations in Canada and the United States or any of the countries in which the Corporation ships to requires the use of judgement. Differing interpretation of these laws or regulations could result in an increase in the Corporation's taxes, or other governmental charges, duties or impositions. In addition, the recoverability of deferred income tax assets, including expected periods of reversal of temporary differences and expectations of future taxable income, are assessed by management at the end of each reporting period.

5) Transition to IFRS

The effect of the Corporation's transition to IFRS, described in note 2, is summarized in this note as follows:

a) Transition elections
b) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS
c) Adjustments to the statement of cash flows

a) Transition elections

Set forth below are the IFRS 1 applicable exemptions applied in the conversion from Canadian GAAP to IFRS.

i) *Cumulative translation differences*: Retrospective application of IFRS would require the Corporation to determine cumulative currency translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a subsidiary was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Corporation elected to reset cumulative translation gains and losses to zero in opening retained earnings at January 1, 2010. For further details refer to note 5(b)(xi).

ii) *Business combinations*: IFRS 1 provides the option not to apply IFRS 3, *Business Combinations*, retrospectively to past business combinations that occurred before the transition date or an alternate designated date. The Corporation elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to January 1, 2010. This exemption also applies to interests in joint ventures. As such, Canadian GAAP balances relating to business combinations entered into before January 1, 2010, have been carried forward without adjustment.

iii) *Property, plant and equipment*: on first time adoption of IFRS, an entity can elect to measure an item of property, plant and equipment at its fair value or at a revalued amount provided that at the date of revaluation the revalued amount was comparable to fair value. The Corporation has elected to revalue land to fair value at January 1, 2010. For further details refer to note 5(b)(iv).

iv) *Share-based payment transactions*: on first time adoption of IFRS the requirements of IFRS 2, *Share-based Payment*, apply to all grants of equity settled transactions made after November 7, 2002 that have not yet vested at the transition date. A company may also choose to apply IFRS 2 to any equity instruments that were granted before November 7, 2002, or that were granted after that date, and vested before the date of transition, but only if the company has previously disclosed the fair value of the instrument, determined at the measurement date. In accordance with IFRS 1, the Corporation has elected to not to apply IFRS 2 to any equity instruments that were granted before November 7, 2002 or that were granted after November 7, 2002 and vested before the date of transition. As a result, no adjustments were required on transition.

Notes to Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2011 and 2010
(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

b) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

	Note	December 31, 2010			March 31, 2010			January 1, 2010		
		CGAAP $	Adj $	IFRS $	CGAAP $	Adj $	IFRS $	CGAAP $	Adj $	IFRS $
Assets										
Current assets										
Cash and cash equivalents	(i)	16,818	(575)	16,243	4,002	(786)	3,216	4,871	(1,089)	3,782
Trade and other receivables	(i), (xii)	17,205	(264)	16,941	13,307	(265)	13,042	8,436	1,592	10,028
Current notes receivable		163	-	163	39	-	39	40	-	40
Current income tax assets	(i), (xii)	-	-	-	4,368	(5)	4,363	4,545	216	4,761
Inventories	(i), (xii)	16,079	(1,191)	14,888	18,380	(622)	17,758	16,637	1,147	17,784
Deferred income tax assets	(ii)	1,379	(1,379)	-	1,666	(1,666)	-	1,543	(1,543)	-
Assets held for sale		750	-	750	-	-	-	-	-	-
Current assets from discontinued operations	(xii)	-	-	-	-	-	-	4,028	(4,028)	-
		52,394	(3,409)	48,985	41,762	(3,344)	38,418	40,100	(3,705)	36,395
Non-current assets										
Notes receivable	(i)	737	332	1,069	140	332	472	155	832	987
Deferred income tax assets	(ii),(iii),(x)	-	1,733	1,733	-	2,456	2,456	-	2,437	2,437
Investment in joint venture	(i)	-	1,362	1,362	-	1,317	1,317	-	1,261	1,261
Property, plant and equipment	(i),(iv),(v),(xii)	17,392	2,521	19,913	19,470	2,108	21,578	19,312	2,958	22,270
Intangible assets	(vi),(xii)	12,332	900	13,232	12,701	900	13,601	12,760	1,035	13,795
Assets from discontinued operations	(xii)	-	-	-	-	-	-	1,006	(1,006)	-
Total assets		82,855	3,439	86,294	74,073	3,769	77,842	73,333	3,812	77,145
Liabilities										
Current liabilities										
Trade and other payables	(i), (viii), (xii)	15,765	(855)	14,910	12,713	(395)	12,318	10,160	1,312	11,472
Provisions	(vii), (viii)	-	439	439	-	252	252	-	521	521
Current income tax liabilities	(i)	1,333	(4)	1,329	-	-	-	-	-	-
Current portion of borrowings		452	-	452	452	-	452	844	-	844
Current portion of finance lease liabilities		362	-	362	372	-	372	406	-	406
Current portion of deferred gain	(ix)	104	(104)	-	104	(104)	-	104	(104)	-
Current liabilities from discontinued operations	(xii)	-	-	-	-	-	-	1,756	(1,756)	-
		18,016	(524)	17,492	13,641	(247)	13,394	13,270	(27)	13,243
Non-current liabilities										
Borrowings		5,108	-	5,108	5,448	-	5,448	4,917	-	4,917
Finance lease liabilities		477	-	477	765	-	765	850	-	850
Deferred gain	(ix)	622	(622)	-	699	(699)	-	725	(725)	-
Deferred income tax liabilities	(i),(iii),(x)	1,809	1,193	3,002	1,250	1,558	2,808	1,189	1,665	2,854
Total liabilities		26,032	47	26,079	21,803	612	22,415	20,951	913	21,864
Equity										
Share capital		56,014	-	56,014	56,014	-	56,014	56,014	-	56,014
Contributed surplus		3,224	-	3,224	3,105	-	3,105	2,986	-	2,986
Accumulated other comprehensive income	(xi)	(633)	(21)	(654)	(388)	(21)	(409)	21	(21)	-
Accumulated earnings (deficit)	(xiii)	(1,782)	3,413	1,631	(6,461)	3,178	(3,283)	(6,639)	2,920	(3,719)
Total equity		56,823	3,392	60,215	52,270	3,157	55,427	52,382	2,899	55,281
Total liabilities and equity		82,855	3,439	86,294	74,073	3,769	77,842	73,333	3,812	77,145

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	Notes	Year ended December 31, 2010 CGAAP $	Adj $	IFRS $	Period ended March 31, 2010 CGAAP $	Adj $	IFRS $
Revenue	(i)	109,727	(4,041)	105,686	21,076	(1,047)	20,029
Cost of sales	(i), (v)	79,945	(3,926)	76,019	15,580	(984)	14,596
Gross profit		29,782	(115)	29,667	5,496	(63)	5,433
General and administration	(i), (vii), (ix)	15,210	(222)	14,988	3,709	(258)	3,451
Sales and marketing	(i)	6,507	(27)	6,480	1,329	(5)	1,324
Other gains and losses (net)	(i), (v)	538	(332)	206	57	-	57
Share of income from joint venture	(i)	-	(101)	(101)	-	(56)	(56)
Interest expense	(i)	329	15	344	61	1	62
		22,584	(667)	21,917	5,156	(318)	4,838
Earnings from continuing operations before income taxes		7,198	552	7,750	340	255	595
Income taxes							
Current	(i)	1,998	(9)	1,989	153	-	153
Deferred	(i), (x)	783	68	851	(62)	(3)	(65)
		2,781	59	2,840	91	(3)	88
Earnings from continuing operations		4,417	493	4,910	249	258	507
Earnings (loss) from discontinued operations (net of tax)		440	-	440	(71)	-	(71)
Net earnings for the period		4,857	493	5,350	178	258	436
Currency translation adjustment		(654)	-	(654)	(409)	-	(409)
Comprehensive income (loss) for the period		4,203	493	4,696	(231)	258	27

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Explanatory notes

i) The investment in joint venture was proportionately consolidated under Canadian GAAP, however under IFRS, McCoy is accounting for the joint venture using the equity method. An adjustment has been made to remove the 50% interest in Prairie Truck Ltd. from assets and liabilities and record the initial investment, plus McCoy's share of net income since acquisition as an investment in joint venture. The following summarizes the adjustment:

	December 31 2010	**March 31 2010**	**January 1 2010**
Decrease in assets:			
Cash and cash equivalents	(575)	(786)	(1,089)
Trade and other receivables	(264)	(265)	(217)
Current income tax assets	-	(5)	(1)
Inventories	(1,191)	(622)	(855)
Property, plant and equipment	(91)	(114)	(119)
Total assets	(2,121)	(1,792)	(2,281)
Increase in assets:			
Non-current notes receivable	332	332	832
Decrease in liabilities:			
Trade and other payables	(416)	(143)	(188)
Income taxes payable	(4)	-	-
Deferred income tax liabilities	(7)	-	-
	(427)	(143)	(188)
Investment in Prairie Truck Ltd.	1,362	1,317	1,261

An adjustment has also been made to remove the 50% share of Prairie Truck Ltd.'s revenue and expenses and record the share of income from joint venture. The following summarizes the adjustment:

	December 31 2010	**March 31 2010**
Revenue	(4,041)	(1,047)
Cost of sales	(3,862)	(968)
Gross profit	(179)	(79)
Sales and marketing	(27)	(5)
General and administration	(60)	(19)
Other gains and losses	10	-
Interest expense	15	1
Current income taxes	(9)	-
Deferred income taxes	(7)	-
	(78)	(23)
Share of income from joint venture	101	56

ii) Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of assets or liabilities to which the deferred income tax relates or the expected timing of reversal. Under Canadian GAAP, deferred income tax relating to current assets or current liabilities must be classified as current. Accordingly, the current deferred income tax assets reported under Canadian GAAP of $1,543 at January 1, 2010, $1,666 at March 31, 2010, and $1,379 at December 31, 2010 have been reclassified as non-current under IFRS.

iii) Under Canadian GAAP the Corporation recorded its deferred income tax assets and liabilities based on the underlying asset or liability. As a result, some deferred income tax assets and liabilities between different jurisdictions were recorded on a net basis. Under IFRS, deferred income tax assets and liabilities cannot be recorded on a net basis between different jurisdictions. As a result of the reclassifications, the deferred income tax asset and liabilities have increased by $1,338 at January 1, 2010, $1,231 at March 31, 2010 and $873 at December 31, 2010.

iv) In accordance with IFRS transitional provisions, the Corporation elected to revalue land by $2,612 to its fair value of $2,795 at January 1, 2010.

v) An impairment loss of $406 was recognized at January 1, 2010 for property, plant and equipment for which an indicator existed on transition to IFRS. This impairment was not recognized under Canadian GAAP. The adjustment arose because under IFRS the recoverable amount used in recognizing and measuring an impairment is the higher of the asset's fair value less cost to sell and its value in use. Under Canadian GAAP, the recoverable amount used to determine whether the recognition of an impairment loss is required is the undiscounted future cash flows expected from the asset's use and eventual disposition.

The impairment pertains to Farr Canada's Top Drive CGU that is part of McCoy's Energy Products and Services segment. The full impairment pertains directly to the machinery and equipment class of assets.

The recoverable amount of this CGU was estimated based on value in use calculations as this was determined to be higher than fair value less costs to sell. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long-term average growth rates for the manufacturing business in which the CGU operates.

The following are key assumptions used in the value in use calculation:

- Weighted average growth rate used to extrapolate cash flows beyond the budget period: 5%
- Pre-tax discount rate: 20.1%

Management determined the budgeted growth rate based on past performance and its expectations for market development. The weighted average growth rate used is consistent with forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the CGU.

After applying sensitivity analysis in respect of the results and future cash flows, in particular presumed growth rates and discount rates, a 10% change in any assumption would not impact the outcome of the impairment test, as the asset would remain fully impaired. Management is not aware of any other changes that would necessitate changes to its key estimates.

As the assets were not impaired under Canadian GAAP the amortization expense of $16 for the three months ended March 31, 2010 and $64 for the year ended December 31, 2010 were reversed under IFRS.

Under Canadian GAAP at December 31, 2010, management committed to a plan to sell the Top Drive property, plant and equipment and related inventory. The Top Drive property, plant and equipment, and inventory were reclassified as assets held for sale and written down to their estimated selling price less costs to sell of $750. An impairment loss of $468 was recognized on the write down.

The Top Drive property, plant and equipment that were not included in the assets held for sale were put into use and transferred to the Farr Power Tong CGU. An impairment test was performed on the Farr Power Tong CGU (note 7) that indicated that the recoverable amount was higher than the carrying amount. As a result of the increase in the recoverable amount due to the assets held for sale and impairment test performed, $342 of the impairment charge previously recorded was reversed, being the original impairment charge of $406 less the amortization that would have occurred in the period of $64.

vi) On transition to IFRS, the Corporation was required to assess whether any impairment losses previously recognized under Canadian GAAP should be reversed. Impairment losses under IFRS must be reversed if the carrying amount of the asset is less than the recoverable amount, which is the higher of the asset's fair value less cost to sell or value in use. Reversals of impairment losses are prohibited under Canadian GAAP. Under Canadian GAAP, an impairment loss of $900 was recorded against the intangible assets, specifically the trade name of "Superior Manufacturing and Hydraulics Inc." The impairment loss has been reversed at January 1, 2010 because the recoverable amount was higher than the carrying amount of the asset.

The recoverable amount of this CGU was estimated based on value in use calculations as this was determined to be higher than fair value less costs to sell. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rates for the manufacturing business in which the CGU operates.

The following are key assumptions used in the value in use calculation:

- Weighted average growth rate used to extrapolate cash flows beyond the budget period: 5%
- Pre-tax discount rate: 39.3%

Management determined the budgeted growth rate based on past performance and its expectations for market development. The weighted average growth rate used is consistent with forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the CGU.

After applying sensitivity analysis in respect of the results and future cash flows, in particular presumed growth rates and discount rates, a 10% change in any assumption would not impact the outcome of the impairment test. Management is not aware of any other changes that would necessitate changes to its key estimates.

(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

vii) In accordance with IFRS transitional provisions, the Corporation elected to take the exemption not to apply IFRS 3, Business Combinations, retrospectively to past business combinations that occurred before the transition date. However, the corporation was still required to consider whether amounts previously reported under Canadian GAAP should be restated to comply with IFRS. This includes the contingent consideration that was not recorded under Canadian GAAP because there was insufficient assurance that a payment would be required. Under IFRS, contingent consideration is recorded subsequent to the acquisition, if payment of the contingent consideration is probable and can be measured reliably. Accordingly, the Corporation has recorded an adjustment through retained earnings to recognize the fair value of the contingent consideration of $265 at January 1, 2010.

In the first quarter of 2010, it was determined that the payment of contingent consideration was no longer probable and the $265 provision was reversed through general and administrative expenses.

viii) Under IFRS, provisions are required to be separately disclosed whereas under Canadian GAAP, provisions are included in trade and other payables. Accordingly, an adjustment has been recorded to reclassify provisions of $256 from trade payables at January 1, 2010, $252 at March 31, 2010 and $439 at December 31, 2010.

ix) Gains arising on sales-leaseback transactions resulting in operating leases under IFRS are required to be recognized in income when the transaction occurs. Under Canadian GAAP, gains are deferred and amortized over the lease term. Accordingly, the deferred gain recognized under Canadian GAAP of $829 at January 1, 2010 has been reversed through opening retained earnings. Amortization of the deferred gain of $26 for the three months ended March 31, 2010 and $103 for the year ended December 31, 2010 have also been reversed through general and administrative expenses.

x) Deferred income tax assets and liabilities have been adjusted to give effect to adjustments as follows:

	Ref	December 31 2010 $	March 31 2010 $	January 1 2010 $
Deferred income tax assets:				
Reversal of deferred gain	(ix)	(181)	(200)	(207)
Impairment of property, plant and equipment	(v)	-	97	101
Reversal of intangible asset impairment	(vi)	(338)	(338)	(338)
Decrease in deferred income tax assets		(519)	(441)	(444)
Deferred income tax liabilities:				
Revaluation of property, plant and equipment	(iv)	(327)	(327)	(327)
Increase in deferred income tax liabilities		(327)	(327)	(327)

The above adjustments decreased deferred income tax expense recognized in the income statement by $3 for the three months ended March 31, 2010 and increased the deferred tax expense recognized by $75 for the year ended December 31, 2010.

(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

xi) In accordance with IFRS transitional provisions, the Corporation has elected to reset the currency translation adjustment account, which includes gains and losses arising from the translation of foreign operations to zero at the date of transition to IFRS. Accumulated other comprehensive income has been decreased and retained earnings have been increased by $21 at January 1, 2010.

xii) On December 31, 2010, the Corporation sold McCoy Parts and Service which resulted in the assets and liabilities of McCoy Parts and Service being classified as discontinued operations in the statement of financial position at December 31, 2009. Under IFRS, the prior period comparative balances are not restated for discontinued operations. As a result, the January 1, 2010 balances have been adjusted as follows to remove the discontinued operations presentation.

	January 1 2010 $
Increase in current assets:	
Trade and other receivables	1,809
Income tax assets	217
Inventories	2,002
	4,028
Increase in non-current assets:	
Property, plant, and equipment	871
Intangible assets	135
	1,006
Increase in liabilities:	
Trade and other payables	1,756

(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

xiii) The following is a summary of translation adjustments to the Corporation's deficit from Canadian GAAP to IFRS:

	Ref	December 31 2010 $	March 31 2010 $	January 1 2010 $
Deficit as reported under Canadian GAAP		(1,782)	(6,461)	(6,639)
IFRS adjustments increase (decrease):				
Revaluation of property, plant & equipment	(iv)	2,612	2,612	2,612
Impairment of property, plant & equipment	(v)	(406)	(406)	(406)
Contingent consideration	(vii)	(265)	(265)	(265)
Reversal of intangible asset impairment	(vi)	900	900	900
Reversal of deferred gain	(ix)	829	829	829
Deferred income tax assets	(x)	(444)	(444)	(444)
Deferred income tax liabilities	(x)	(327)	(327)	(327)
Foreign currency translation	(xi)	21	21	21
		2,920	2,920	2,920
Effecting 2010 net income:				
Reversal of impairment of property, plant and equipment	(v)	342	-	-
Amortization reversal related to impairment of property, plant, and equipment	(v)	64	16	-
Reverse amortization of deferred gain	(ix)	(103)	(26)	-
Reversal of previously recorded contingent consideration	(vii)	265	265	-
Deferred tax effect of adjustments	(x)	(75)	3	-
		3,413	3,178	2,920
Accumulated earnings (deficit) as reported under IFRS		1,631	(3,283)	(3,719)

c) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the cash flows generated by the Corporation, except for the joint venture adjustment (note 5(b)(i)), that decreased the cash balance by $1,089 at January 1, 2010, $786 at March 31, 2010 and $575 at December 31, 2010.

(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

6) Notes receivable

	March 31 2011	December 31 2010
Note receivable, no fixed terms of repayment, non-interest bearing, from Prairie Truck Ltd.	$ 332	$ 332
Note receivable in monthly instalments of US$3, non-interest bearing, until November 2014.	135	150
Note receivable in quarterly instalments of $63 commencing July 2011, plus interest at 10%, until January 2012; a general security agreement over all past and future property is secured as collateral.	750	750
	1,217	1,232
Less: Current portion	163	163
	$ 1,054	$ 1,069

(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

7) Property, plant, & equipment

	Land $	Buildings $	Machinery and office equipment $	Automotive equipment $	Computer equipment $	Leasehold improvements $	Total $
Cost							
At January 1, 2010	2,795	4,189	31,605	1,325	3,001	2,266	45,181
Additions	-	-	1,468	124	220	58	1,870
Disposals	-	-	(4,544)	(461)	(625)	(714)	(6,344)
Transfer to assets held for sale	-	-	(243)	-	-	-	(243)
Exchange differences	-	(3)	(738)	(26)	-	(62)	(829)
At December 31, 2010	2,795	4,186	27,548	962	2,596	1,548	39,635
Additions	112	730	814	40	138	4	1,838
Disposals	-	-	(32)	(69)	-	-	(101)
Exchange differences	-	-	(203)	(7)	(3)	(8)	(221)
At March 31, 2011	2,907	4,916	28,127	926	2,731	1,544	41,151
Accumulated amortization							
At January 1, 2010	-	1,007	17,384	893	2,630	997	22,911
Amortization	-	137	2,468	63	119	284	3,071
Disposals	-	-	(3,694)	(305)	(601)	(525)	(5,125)
Transfer to assets held for sale	-	-	(145)	-	-	-	(145)
Reversal of impairment	-	-	(281)	-	-	-	(281)
Exchange differences	-	(1)	(671)	(27)	-	(10)	(709)
At December 31, 2010	-	1,143	15,061	624	2,148	746	19,722
Amortization	-	36	605	19	45	56	761
Disposals	-	-	(28)	(69)	-	-	(97)
Exchange differences	-	-	(59)	(6)	(1)	(3)	(69)
At March 31, 2011	-	1,179	15,579	568	2,192	799	20,317
Net book value							
At January 1, 2010	2,795	3,182	14,221	432	371	1,269	22,270
At December 31, 2010	2,795	3,043	12,487	338	448	802	19,913
At March 31, 2011	2,907	3,737	12,548	358	539	745	20,834

At December 31, 2010, property, plant and equipment was transferred from the Farr Top Drive CGU to the Farr Power Tong CGU. An impairment loss had previously been recognized on the Farr Top Drive CGU. As a result, an impairment test was performed for the Farr Power Tong CGU at December 31, 2010 to determine if any of the previous impairment should be reversed. The recoverable amount was estimated based on value in use calculations as this was determined to be higher than fair market value less costs to sell. These calculations use cash flow projections based on the financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long-term average growth rates for the manufacturing business in which the CGU operates.

The following are the key assumptions used in the value in use calculation:

- Weighted average growth rate used to extrapolate cash flows beyond the budget period: 5%
- Pre-tax discount rate: 20.1%

Management determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rate used is consistent with forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the CGU.

After applying sensitivity analysis in respect of the results and future cash flows, in particular presumed growth rates and discount rates, a 10% change in any assumption would not impact the outcome of the impairment test. Management is not aware of any other changes that would necessitate changes to its key estimates.

Based on the impairment test performed, it was determined that the recoverable amount was higher than the carrying amount of the CGU so the impairment of $281 was reversed, which is equal to the original net book value less estimated amortization for the year. An additional impairment of $61 was reversed at December 31, 2010 related to the assets held for sale.

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8) Intangible assets

	Customer relationships $	Process technology $	Intellectual property $	Software $	Certification mark $	Trade name $	Total $
Cost							
At January 1, 2010	3,136	923	8,337	1,881	91	3,557	17,925
Additions	-	-	-	751	-	-	751
Disposals	-	-	-	(635)	-	-	(635)
Exchange differences	-	-	-	35	-	-	35
At December 31, 2010	3,136	923	8,337	2,032	91	3,557	18,076
Additions	-	-	-	159	-	-	159
Exchange differences	-	-	-	36	-	-	36
At March 31, 2011	3,136	923	8,337	2,227	91	3,557	18,271
Accumulated amortization							
At January 1, 2010	963	451	1,237	1,479	-	-	4,130
Amortization	313	131	556	195	-	-	1,195
Disposals	-	-	-	(500)	-	-	(500)
Exchange differences	-	-	-	19	-	-	19
At December 31, 2010	1,276	582	1,793	1,193	-	-	4,844
Amortization	78	33	139	56	-	-	306
Exchange differences	-	-		(10)	-	-	(10)
At March 31, 2011	1,354	615	1,932	1,239	-	-	5,140
Net book value							
At January 1, 2010	2,173	472	7,100	402	91	3,557	13,795
At December 31, 2010	1,860	341	6,544	839	91	3,557	13,232
At March 31, 2011	1,782	308	6,405	988	91	3,557	13,131

The remaining amortization period of the definite-life intangible assets is as follows:

	December 31 2010 (years)
Customer relationships	4 – 7 years
Process technology	3 years
Intellectual property	12 – 14 years
Software	1 – 10 years

Trade names have been assigned an indefinite useful life and as such are not amortized. The carrying value is tested annually for impairment. Trade name comprises the brands of Superior Manufacturing and Hydraulics, Inc., Inotec Coatings and Hydraulics Inc. and Rebel Metal Fabricators Ltd.

(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

The carrying amount of intangible assets with indefinite lives are included in the following CGUs:

	Trade name	Certification mark
	December 31 2010 $	**December 31 2010 $**
Superior Manufacturing and Hydraulics, Inc.	2,900	-
Inotec Coatings and Hydraulics Inc.	657	-
Rebel Metal Fabricators Ltd.	-	91
	3,557	91

The recoverable amount is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations at December 31, 2010 are as follows:

	Trade name	
	Growth rate	**Pre-tax discount rate**
Superior Manufacturing and Hydraulics, Inc.	5.0%	39.3%
Inotec Coatings and Hydraulics Inc.	5.0%	22.1%
Rebel Metal Fabricators Ltd.	5.0%	25.3%

The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the CGU.

The pre-tax discount rates are the rates in which the net present value of the after-tax cash flows for the CGU are equal to the net present value of the pre-tax cash flows. The rates for each CGU fluctuate depending on jurisdictional tax rates.

After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, a 10% change in any assumption would still indicate that no impairment has occurred. Management is not aware of any other changes that would necessitate changes to its key estimates.

9) Share Capital

Common shares authorized

Unlimited number of common, voting shares

Unlimited number of preferred, non-voting shares

(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

10) Share based compensation

a) Equity-settled share based payments

The Corporation's share option plan for employees is administered by the Compensation Committee, which is a subcommittee of the Board of Directors. The Compensation Committee designates eligible participants to be included under the plan and designates the number of options and share price of the options, subject to applicable securities laws and stock exchange regulations.

The aggregate number of common shares issuable under the plan can be no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis. In addition, no more than 5% of outstanding shares may be reserved for options granted to any one person and no more than 10% of outstanding shares may be reserved for options granted to insiders. The options vest evenly over three years and the maximum term of options issued under the plan cannot exceed five years. The exercise price of options is determined by the Board of Directors, but cannot be lower than the market price of shares on the last trading day preceding the grant date.

The following reflects activity under the share option plan:

	March 31, 2011		December 31, 2010	
	Number of common shares under option (#000)	Weighted Average Exercise Price $	Number of common shares under option (#000)	Weighted Average Exercise Price $
Outstanding – beginning of period	1,115	3.29	630	5.75
Granted	350	3.49	730	1.46
Forfeited	(80)	2.79	(245)	4.16
Expired	(180)	7.25	-	-
Outstanding – end of period	1,205	2.79	1,115	3.29
Exercisable	528	3.09	553	5.07

The following options are outstanding as at March 31, 2011:

Exercise price per option	Options outstanding (#000)	Weighted average remaining contractual life (years)
$0 to $2	585	3.83
$2 to $4	440	4.25
$4 to $6	180	0.61
	1,205	3.50

(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

The following weighted-average assumptions were used in the Black-Scholes calculations for share options granted:

	March 31 2011	**March 31 2010**
Share price	3.49	1.46
Exercise price	3.49	1.46
Expected volatility	74%	71%
Risk-free interest rate	2.3%	2.3%
Annual dividend rate	0%	0%
Expected life of options in years	3.5 years	3.5 years

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome.

The weighted average grant date fair value of share options granted during the period was $1.97 per share option (three months ended March 31, 2010 - $0.77 per share option). Current year vesting of options resulted in a $117 (three months ended March 31, 2010 - $119) charge to share based compensation expense and corresponding credit to contributed surplus.

b) Cash-settled share based payments

The Corporation has a Director's deferred share unit plan for Directors of the Corporation who are designated as participants by the Compensation Committee. The deferred share units vest at the end of three years and upon retirement from the Board, the deferred share units are redeemed for cash based on the market price of the shares.

The following reflects activity under the Director's deferred share unit plan:

	March 31 2011 (#000)	**December 31 2010 (#000)**
Outstanding – beginning of period	114	113
Granted	-	15
Forfeited	-	(14)
Outstanding – end of period	114	114

There were no deferred share units issued during the period (three months ended March 31, 2010 – no deferred share units issued). Current year vesting of deferred share units resulted in a $45 (three months ended March 31, 2010 - $13) charge to share based compensation expense. At March 31, 2011, the Corporation recorded liabilities of $198 (December 31, 2010 - $153) in respect of this plan.

c) Share based compensation expense

Total share based compensation was as follows:

	March 31 2011 ($000)	**March 31 2010 ($000)**
Share options	117	119
Deferred share units	45	13
	162	132

11) Related party transactions

a) Rental expense

A subsidiary of the Corporation entered into lease agreements with a company owned by certain directors. These individuals are also directors of Foundation Equity Corporation, a 43% shareholder of the Corporation. Minimum annual lease payments are $752 per annum until 2013 and are to be renegotiated at market rates for the last five years of the lease. $520 of the minimum lease payments will be recovered through a sublease. These transactions were made in the normal course of business and are recorded at the exchange amount being the amount of consideration established and agreed to by the related parties.

b) Property leases

Another subsidiary of the Corporation entered into lease agreements with a company whose principal is an officer of the Corporation. Minimum annual lease payments are $435 per year until 2017. The Corporation has the option to renew the lease for another five years at $473 per year. These transactions were made in the normal course of business and are recorded at the exchange amount being the amount of consideration established and agreed to by the related parties.

c) Compensation awarded to directors and key management personnel for employee services included:

	Three months ended March 31 2011 $	**Three months ended March 31 2010 $**
Salaries and short-term employee benefits	673	595
Post-employment benefits	19	13
Other long term benefits	11	4
Share-based payments	37	96
	740	708

12) Earnings Per Share

The following table sets forth the details of the denominator used for the computation of basic and diluted earnings per share for the periods ended March 31, 2011 and 2010:

	Three months ended March 31, 2011			Three months ended March 31, 2010		
	Earnings (numerator) **($000)**	**Shares** (denominator) **(#000)**	**Per share amount $**	**Earnings** (numerator) **($000)**	**Shares** (denominator) **(#000)**	**Per share amount $**
Basic earnings per share						
Earnings available to common shareholders	1,821	26,476	0.07	436	26,476	0.02
Diluted earnings per share						
Dilutive effect of options		349			-	
Earnings available to common shareholders	1,821	26,825	0.07	436	26,476	0.02

13) Segmented reporting

The Corporation operates its businesses through a number of subsidiaries and divisions operating in two segments. The most significant are as follows:

Energy Products & Services ("EP&S")

- Farr Canada, a division of McCoy Corporation – manufactures and distributes standard and custom model hydraulic power tongs located in Edmonton, Alberta.
- Superior Manufacturing and Hydraulics, Inc., a wholly owned subsidiary – manufactures and distributes standard and custom hydraulic power tongs, manufactures and distributes a line of hydraulic power equipment, and offers service, repair, honing, and testing of hydraulic equipment. Superior is located in Broussard, Louisiana.
- Precision Die Technologies, L.L.C., a wholly owned subsidiary – manufactures and distributes dies and inserts used in other handling tools, located in Broussard, Louisiana.
- Inotec Coatings and Hydraulics Inc., a wholly owned subsidiary – is involved in the application of materials for the prevention of wear, erosion and corrosion, and the manufacturing and servicing of hydraulic components, located in Edmonton, Alberta.

Mobile Solutions

- Peerless Limited, a wholly owned subsidiary – manufactures heavy duty trailers and custom chassis, located in Penticton, British Columbia. Peerless has also subcontracted two trailer manufacturing plants in the southern U.S.
- Rebel Metal Fabricators Ltd., a wholly owned subsidiary – manufactures and distributes truck and trailer mounted hydrovac and vacuum tanks, located in Red Deer, Alberta. In December 2010, McCoy made a change to its business structure

by moving Rebel Metal Fabricators Ltd. from the Energy Products & Services ("EP&S") segment to the Mobile Solutions segment. The 2010 comparative balances have been restated for this change.

- Prairie Truck Ltd, a 50% interest in a joint venture – is an International Truck Dealership located in Grande Prairie, Alberta.
- McCoy Parts & Service, a wholly owned subsidiary – provides service and retail parts through branches in Edmonton, Grande Prairie and Red Deer, Alberta; as well as retail parts operations in Penticton, British Columbia. McCoy Parts & Service was sold as of December 31, 2010 and the 2010 comparative balances have been restated as a result of this discontinued operation.

The accounting policies of the segments are the same as those described in note 3. Inter-segment transactions are entered into under terms and conditions similar to those with unrelated parties and are eliminated on consolidation. All inter segment sales have been eliminated within the segment.

In the following schedules, earnings from continuing operations before income taxes have been calculated for each segment by deducting all directly attributable costs and administrative expenses from the revenues of the segment.

Notes to Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2011 and 2010
(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

Three Months Ended March 31, 2011

	Energy Products & Services $	Mobile Solutions $	Corporate $	Inter-Segment Eliminations $	Total $
Sales by segment					
Total external sales	18,586	16,056	-	-	34,642
Total inter-segment sales	996	249	-	(1,245)	-
Total sales	19,582	16,305	-	(1,245)	34,642
Cost of sales	13,587	13,107	-	(1,245)	25,449
Gross profit	5,995	3,198	-	-	9,193
Operating expenses	2,369	952	-	-	3,321
Sales and marketing expenses	1,363	456	-	-	1,819
Share of income of joint venture	-	(95)	-	-	(95)
Total expenses	3,732	1,313	-	-	5,045
Earnings loss before corporate charges, interest, other and income taxes from continuing operations	2,263	1,885	-	-	4,148
Corporate charges	-	-	1,407	-	1,407
Earnings (loss) before interest, other and income taxes from continuing operations	2,263	1,885	(1,407)	-	2,741
Interest on debt	12	3	54	-	69
Earnings (loss) before other and income taxes, from continuing operations	2,251	1,882	(1,461)	-	2,672
Gain on disposal of property, plant, and equipment	14	7	-	-	21
Earnings (loss) before income taxes from continuing operations	2,265	1,889	(1,461)	-	2,693
Income taxes (recovery)	733	612	(473)	-	872
Earnings (loss) for the period from continuing operations	1,532	1,277	(988)	-	1,821
Earnings from discontinued operations (net of tax)	-	-	-	-	-
Earnings (loss) for the period	1,532	1,277	(988)	-	1,821
Total identifiable assets	63,640	24,004	2,044	-	89,688
Additions to property, plant & equipment	1,776	20	42	-	1,838
Additions to intangible assets	65	22	72	-	159

Notes to Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2011 and 2010
(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

Three Months Ended March 31, 2010

	Energy Products & Services $	Mobile Solutions $	Corporate $	Inter-Segment Eliminations $	Total $
Sales by segment					
Total external sales	13,932	6,097	-	-	20,029
Total inter-segment sales	1,366	56	-	(1,422)	-
Total sales	15,298	6,153	-	(1,422)	20,029
Cost of sales	10,826	5,192	-	(1,422)	14,596
Gross profit	4,472	961	-	-	5,433
Operating expenses	1,515	676	-	-	2,191
Sales and marketing expenses	1,068	256	-	-	1,324
Share of income of joint venture	-	(56)	-	-	(56)
Total expenses	2,583	876	-	-	3,459
Earnings loss before corporate charges, interest, other and income taxes from continuing operations	1,889	85	-	-	1,974
Corporate charges	-	-	1,260	-	1,260
Earnings (loss) before interest, other and income taxes from continuing operations	1,889	85	(1,260)	-	714
Interest on debt	22	2	38	-	62
Earnings (loss) before other and income taxes, from continuing operations	1,867	83	(1,298)	-	652
Loss on disposal of property, plant, and equipment	(57)	-	-	-	(57)
Earnings (loss) before income taxes from continuing operations	1,810	83	(1,298)	-	595
Income taxes (recovery)	270	12	(194)	-	88
Earnings (loss) for the period from continuing operations	1,540	71	(1,104)	-	507
Loss from discontinued operations (net of tax)	-	(71)	-	-	(71)
Earnings (loss) for the period	1,540	-	(1,104)	-	436
Total identifiable assets	51,505	25,082	1,255	-	77,842
Additions to property, plant & equipment	383	3	2	-	388
Additions to intangible assets	55	-	-	-	55

Notes to Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2011 and 2010
(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

Geographic information

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	Revenue	Property, plant and equipment	Revenue	Property, plant and equipment
	$	$	$	$
Canada	12,225	16,639	8,669	18,715
US	17,021	4,195	6,132	2,863
Europe	1,769	-	1,028	-
Middle East	1,743	-	1,088	-
United Kingdom	723	-	2,266	-
Australasia	473	-	22	-
Asia	344	-	128	-
South America	325	-	5	-
Mexico	10	-	35	-
Africa	9	-	656	-
	34,642	20,834	20,029	21,578

14) Changes in non-cash working capital

	March 31 2010 $	December 31 2010 $
Changes in items of working capital:		
Trade and other receivables	1,273	(3,424)
Inventories	(4,303)	(52)
Trade and other payables	2,951	1,134
Provisions	126	(281)
	47	(2,623)

15) Dividends

A dividend of $0.01 per share, totaling $265, declared on March 10, 2011 was paid on March 31, 2011. A dividend of $0.04 per share, totaling, $1,059, declared on March 17, 2011, was unpaid as at March 31, 2011 (2010 – $nil per share).

16) Assets held for sale

These assets consist of $98 of machinery and $652 of inventory related to the Top Drive product line of Farr Canada that were included in the EP&S segment. As at March 31, 2011, $27 of the inventory has been sold and management is actively marketing the remaining assets held for sale and they are available for immediate sale in their current condition. Management believes it is probable that the sale of the remaining assets will be completed within the year.