

PRESIDENT'S MESSAGE

McCoy experienced a solid first quarter and continued to make progress on our strategic growth plan. We achieved record quarterly revenue from continuing operations during the first quarter, due primarily to the continued high level of drilling activity in North America and worldwide.

The Energy Products & Services ("EP&S") segment continued its positive record of growth with a revenue increase of 41% from last year's first quarter to \$26.2 million. This increase is directly related to higher spending in the global drilling equipment market. Within that growth is a stronger component of international sales from our widening international exposure, notably from Asia and the Middle East. Our Drilling & Completions division has an order backlog at record levels, including a robust level from international customers.

McCoy's EP&S segment expanded its international sales footprint in the first quarter with the hiring of two additional international technical sales representatives. The Company now has three employees focused on international sales residing within the eastern hemisphere. In our Houston facility, our technical service business will launch in the second quarter.

The start-up of Rig Parts is on track and positions McCoy for global expansion in the replacement parts and service business and entry into a high margin, recurring revenue stream from customer maintenance of capital equipment. A dedicated facility will be operational in June 2012 which will drive further growth.

Another positive contributor to the EP&S segment was our Coatings and Hydraulics division, which derives its revenue equally from the oil sands and conventional oil and gas operations. With a strong management team in place, Inotec has successfully undergone a rebuilding phase, including a capital investment program to improve efficiencies and deliveries.

EP&S new product development continues to advance on target and we expect new product development will generate \$150 million in additional revenue over the next five years. Under our new product brand strategy, the "we" line, McCoy launched two new products at the Offshore Technology Conference (OTC) in Houston in early May. These two new products were very well received at the OTC and we are very happy with customer response. We are currently in the process of completing a retrofit of our Edmonton facility to allow for production of the Torque Sub (weCATT) and expect to realize initial revenue from new products in the third quarter of 2012.

McCoy's Mobile Solutions segment also experienced increased revenue in the first quarter, up 35% from the first quarter of 2011 to \$19.4 million. The increase reflects McCoy aggressively pursuing market share in the U.S. as well as continued strong demand for our trailers in traditional markets. To facilitate U.S. expansion we continue to leverage sub-contractor relationships and in the first quarter signed on an additional manufacturing facility, bringing the total sub-contractor relationships to three. With three manufacturing sub-contractors in place, McCoy has positioned itself well to respond

proactively to fluctuations in market demand. Our facility in Penticton continues to operate at near capacity levels.

There was a notable decrease in the profitability of the Mobile Solutions segment in the first quarter. Our product mix experienced a shift from higher margin product in the pressure pumping market to lower margin product in the heavy haul oilfield market. As service companies disclose their 2012 capital budgets, it is apparent that there is a trend to reduce the amount of pressure pumping equipment that will be ordered in the near term. We are working with our sub-contractors to identify efficiencies in their manufacturing processes to improve margins and on certain products have implemented price increases to improve profitability. There are positive signs in the marketplace that the heavy haul oilfield market remains strong and that we will experience relatively stable revenue in the Mobile Solutions segment.

The sales backlog for Mobile Solutions remains healthy for most products with the exception of custom chassis for the pressure pumping market. While we are forecasting that profitability for the Mobile Solutions segment in 2012 will be lower than 2011, we anticipate profitability will improve in the second quarter and for the remainder of 2012.

McCoy's growth plan is on track. Our balance sheet is strong and provides us the flexibility to continue to invest in our organic growth initiatives, while also pursuing prudent and meaningful acquisitions to strengthen our product and service offerings. McCoy continues to advance the goal of being the trusted provider of innovative products and services for the global energy industry, mainly in the drilling and completions business.

Jim Rakievich
President & Chief Executive Officer
May 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis of Financial Results (MD&A), dated May 9, 2012, should be read in conjunction with the cautionary statement regarding forward-looking information and statements below, as well as the audited consolidated financial statements and notes thereto, for the years ended December 31, 2011 and 2010. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts in the following MD&A are in Canadian dollars unless otherwise stated. Certain prior-period balances in the consolidated financial statements have been reclassified to conform to current period presentation and policies. References to "McCoy," "the Corporation," "we," "us" or "our" mean McCoy Corporation and its subsidiaries, unless the context otherwise requires. Additional information relating to McCoy, including periodic quarterly and annual reports and Annual Information Forms (AIF), filed with Canadian securities regulatory authorities, is available on SEDAR at sedar.com and our website at mccoyglobal.com.

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, the success of new product development, 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.

Description of Non-IFRS Measures

Throughout this MD&A, management uses measures not found in IFRS which do not have a standardized meaning and therefore are considered non-IFRS measures.

EBITDA is a non-IFRS measure defined as “earnings from continuing operations before impairment losses, interest, taxes, depreciation and amortization” and is used in monitoring compliance with debt covenants.

EBITDAS is a non-IFRS measure defined as “earnings from continuing operations before impairment losses, interest, taxes, depreciation, amortization and share-based compensation”.

The Corporation reports on EBITDA and EBITDAS because they are key measures used by management to evaluate performance. EBITDAS is used in making decisions relating to distributions to shareholders. The Corporation believes EBITDA and 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.

EBITDA and EBITDAS are not considered an alternative to net earnings in measuring McCoy’s performance. EBITDA and EBITDAS do not have a standardized meaning and are therefore not likely to be comparable to similar measures used by other issuers. However, McCoy calculates EBITDA and EBITDAS consistently from period to period. EBITDA and EBITDAS 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.

Vision, Strategy and Core Businesses

McCoy's Vision
is to be the trusted provider of innovative products and services for the global energy industry.



MCCOY | ENERGY PRODUCTS & SERVICES

MCCOY | MOBILE SOLUTIONS

MCCOY | DRILLING & COMPLETIONS
MOVING GLOBAL ENERGY FORWARD
FARR
PRECISION DIE TECHNOLOGIES
SUPERIOR MANUFACTURING & HYDRAULICS

MCCOY | TRAILERS
MOVING GLOBAL ENERGY FORWARD
SCONA
PEERLESS

MCCOY | COATINGS & HYDRAULICS
MOVING GLOBAL ENERGY FORWARD
INOTEC

Energy Products & Services Overview

Energy Products & Services ("EP&S") 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.

- (i) Drilling & Completions consists of:
 - Farr Canada Corp. ("Farr"), located in Edmonton, Alberta;
 - Superior Manufacturing & Hydraulics, Inc. ("Superior"), located in Lafayette, Louisiana; and
 - Precision Die Technologies, L.L.C. ("PDT"), located in Lafayette, Louisiana.
- (ii) Coatings & Hydraulics consists of:
 - Inotec Coatings and Hydraulics Inc. ("Inotec") located in Edmonton, Alberta.

The Corporation continues to pursue growth of the EP&S segment through organic growth from existing operations and strategic acquisitions.

Organic growth is being achieved by:

- investing in the development of innovative new products and services that provide a competitive advantage and corresponding increase in market share;
- increasing international sales by deploying an international sales team and penetrating new markets; and
- focusing on domestic growth markets such as the oil sands and shale oil and gas plays.

The Corporation also continues to actively explore acquisition opportunities and has maintained a strong balance sheet to support an acquisition when a strategic opportunity arises.

Recent key developments in our growth strategy include:

- establishing a Drilling & Completions head office and center for continued innovation in Houston, Texas in 2011;
- announcing a new product brand strategy whereby new products will be branded as the “we” product line. Five new major pieces of drilling and tubular handling equipment under the “we” product line are currently under development, with two products expected to be launched in 2012; and
- hiring two additional international salespeople in 2012 to penetrate strategic markets.

The EP&S segment also continues to implement lean manufacturing techniques to increase throughput by improving productivity resulting in reduced per unit costs.

Mobile Solutions Overview

Mobile Solutions consists of the McCoy Trailers division. This segment included the McCoy Vac & Hydrovac division, which was sold in June 2011 and the Corporation’s 50% interest in Prairie Truck Ltd., an International Truck dealership which sold its operating assets and ceased operations in October 2011. These businesses were divested to enhance McCoy’s focus on products and services for the global energy industry.

McCoy Trailers is involved in the manufacture and sale of specialized custom heavy-duty trailers largely used in the oil and gas industry for pressure pumping, rig transportation and heavy haul and is focused on serving oil and gas clients operating in the Western Canadian Sedimentary Basin (“WCSB”), and the United States as well as through export to China, Australia and the Middle East.

McCoy Trailers consists of Peerless Limited (“Peerless”) which is located in Penticton, British Columbia where both the Peerless and Scona branded trailers are manufactured. In addition to the wholly owned Penticton facility, McCoy Trailers also has subcontract relationships with manufacturing plants in Arkansas and Texas, which allow for the ramp up of production during periods of high market peaks such as is being experienced currently.

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 these specialized transportation markets.

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

Discontinued Operations

Effective June 30, 2011, Rebel Metal Fabricators Ltd., which made up the Vac & Hydrovac division (“McCoy Vac & Hydrovac”) of McCoy, was sold.

Effective October 31, 2011, the operating assets of Prairie Truck Ltd. (“Prairie”) were sold and the joint venture ceased operations. The Company has a 50% joint venture interest in Prairie.

Operating results related to McCoy Vac & Hydrovac and Prairie have been included in net earnings from discontinued operations in the condensed consolidated interim financial statements.

These were strategic divestitures for McCoy allowing the Corporation to focus on global expansion in the energy industry and grow our businesses in the EP&S and Mobile Solutions segments. The 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.

Summary of Consolidated Financial Results

For the three months ended March 31 (\$000 except per share amounts)	2012	2011
Total revenue	45,533	32,897
Net earnings	2,154	1,821
Per common share – basic	0.08	0.07
Per common share – diluted	0.08	0.07
EBITDAS from continuing operations	4,571	3,967
Per common share - basic	0.17	0.15
Per common share - diluted	0.17	0.15
Total assets	111,556	89,688
Total liabilities	40,397	29,989
Total non-current liabilities	9,414	9,183

EBITDA and EBITDAS have been calculated as follows:

For the three months ended March 31 (\$000)	2012	2011
Earnings for the period from continuing operations	2,154	1,802
Income tax expense	1,003	890
Interest (net)	39	66
Amortization	1,132	1,047
EBITDA	4,328	3,805
Share-based compensation	243	162
EBITDAS	4,571	3,967

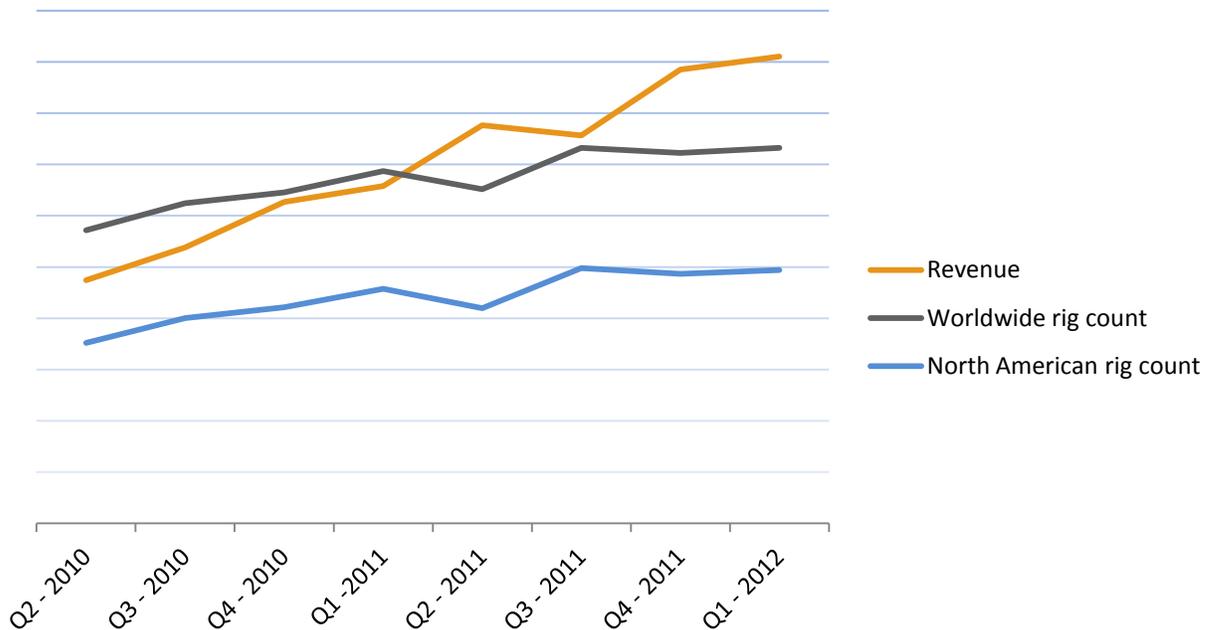
Revenue

On a consolidated basis, revenues from continuing operations have increased by 38% or \$12.6 million, to \$45.5 million from the period ended March 31, 2011, when revenues from continuing operations were \$32.9 million. The increase in revenues is due to increased spending by our customers on capital equipment.

As the number of working rigs is maintained or increases, we expect that demand for capital equipment will continue, which will be positive for both the EP&S and Mobile Solutions segments. International drilling activity continues to be a bright light as international sales remain strong in certain countries due to the price of oil.

A correlation has historically existed between the Corporation’s revenues and rig counts. McCoy’s customers increase their spending on capital equipment in response to increases in drilling activity. Capital expenditures by our customers increases revenues for McCoy and the rig counts are a strong indicator of future capital purchases. The timing between the increase or decrease in rig counts and McCoy’s revenues typically lags by approximately six months to one year. Taking into consideration a twelve month timing difference between rig counts and McCoy’s revenues, using a quarterly average, worldwide rig counts have increased by 19% and North American rig counts have increased by 27% during the twelve month period ended March 31, 2010 to March 31, 2011¹.

A summary of quarterly revenues and rig counts is as follows:



¹All references to rig counts can be accessed through Baker Hughes, Inc., http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm.

McCoy's order backlog is at record levels for the Drilling & Completions division and currently remains strong for the Mobile Solutions segment. If drilling activity levels drop, the improved demand for capital equipment could be reduced.

Profitability

Comparing the three month period ended March 31, 2012 to the three month period ended March 31, 2011:

- net earnings increased by \$0.3 million
- net earnings, as a percentage of revenue, decreased by 1%
- EBITDAS increased by \$0.6 million
- EBITDAS, as a percentage of revenue, decreased by 2%

The increase in net earnings and EBITDAS is a result of higher revenues. As a percentage of revenue, the decreases are primarily attributable to a decrease in gross profit in the Mobile Solutions segment. Mobile Solutions gross profit percentage for the first quarter of 2012 was 13% compared to 21% in the first quarter of 2011. Offsetting the lower gross profit generated from the Mobile Solutions segment were 1% decreases in general and administrative expense and sales and marketing expense as a percentage of revenues. In the first quarter of 2012 general and administrative expense as a percentage of revenue was 13%, as compared to 14% in the comparative period and sales and marketing expense for Q1 2012 as a percentage of revenue was 4%, as compared to 5% in the comparative period.

Results of Operations

Revenue by Operating Segment

(\$000 except percentages)	Energy Products & Services	Mobile Solutions	Inter-Segment Eliminations	Total
Q1 2012 revenue	26,162	19,371	-	45,533
Q1 2011 revenue	18,586	14,352	(41)	32,897
Increase	7,576	5,019	41	12,636
% change	41%	35%		38%

Revenue from the EP&S segment for the quarter ended March 31, 2012 increased by \$7.6 million, or 41%, to \$26.2 million from \$18.6 million in the first quarter of 2011. The increase is due to increased spending in the global drilling equipment market.

We are seeing signs that North American (U.S. and Canada) rig counts are beginning to stabilize. International drilling activity continues to be a bright light as international sales remain strong in certain countries due to the strong price of oil. The Corporation's revenue growth rate will moderate in the face of stable North American rig counts but will be bolstered by international drilling activity as we get closer to 2013. The Corporation expects its Mobile Solutions segment will experience moderate growth due to its reliance on the North America market, while the EP&S segment will continue to benefit from the global drilling market.

As rig counts stabilize, new product development initiatives become more important and EP&S continues to invest in initiatives to generate future revenue growth. In 2012, EP&S expects to release two new products with revenue from these product launches expected to start being realized in the third quarter of 2012 and into 2013.

Revenue from the Mobile Solutions segment for the quarter ended March 31, 2012 increased by \$5.0 million, or 35%, to \$19.4 million from \$14.4 million in the first quarter of 2011. The increase reflects McCoy aggressively pursuing market share in the United States as well as continued strong demand for our trailers in traditional markets. To facilitate U.S. expansion we continue to leverage sub-contractor relationships and in the first quarter signed on an additional manufacturing facility, bringing the total sub-contractor relationships we can utilize to meet demand to three. With three manufacturing sub-contractors in place, McCoy has positioned itself well to respond proactively to fluctuations in market demand. Our facility in Penticton continues to operate at near capacity levels.

Gross Profit by Operating Segment

(\$000 except percentages)	Energy Products & Services	Mobile Solutions	Total
Q1 2012 Gross Profit	8,583	2,459	11,042
% of Revenue	33%	13%	24%
Q1 2011 Gross Profit	5,995	2,995	8,990
% of Revenue	32%	21%	27%
Increase (decrease)	2,588	(536)	2,052
% Change	43%	(18%)	23%

Gross profit from the EP&S segment for the quarter ended March 31, 2012 increased by \$2.6 million, or 43%, to \$8.6 million from \$6.0 million in the first quarter of 2011. This increase is tied directly to the increase of sales for the year. Gross profit as a percentage of revenue has remained consistent. The slight increase is primarily a result of Inotec having its strongest quarterly results in sixteen quarters.

Gross profit from the Mobile Solutions segment for the quarter ended March 31, 2012 decreased by \$0.5 million, or 18%, to \$2.5 million from \$3.0 million in the first quarter of 2011. The decrease in Mobile Solutions gross profit is a result of several factors. Our product mix shifted from higher margin product in the pressure pumping market to lower margin product in the heavy haul oil field market. As service companies disclose their 2012 capital budgets, it is apparent that there is a trend to reduce the amount of pressure pumping equipment that will be ordered in the near term. There are positive signs in the marketplace that the heavy haul oil field market remains healthy and that we will experience relatively stable revenue in this segment. We are working with our sub-contractors to identify efficiencies in their manufacturing processes to improve margins and on certain products have implemented price increases to maintain profitability.

The sales backlog for Mobile Solutions remains healthy for most products with the exception of custom chassis for the pressure pumping market. While we are forecasting that profitability for the Mobile Solutions segment in 2012 will be lower than 2011, we

anticipate that profitability will improve in the second quarter and for the remainder of 2012.

General and Administration

General and administration expense for the three months ended March 31, 2012 was \$5.8 million. This represents an increase of \$1.3 million, or 30%, from general and administrative expense of \$4.5 million for the three months ended March 31, 2011. The increase is attributable to several factors including establishing a center for continued innovation in Houston, Texas, subsequent to the first quarter of 2011. This included expanding our team of design engineers and investing in research and development in order to support our ongoing commitment to new product development. The Corporation has also had increased costs due to its expansion of facilities in Broussard, Louisiana.

As a percentage of revenues general and administrative expense was 13% for the three months ended March 31, 2012 as compared to 14% in the comparative period. Management expects general and administrative expenses as a percentage of revenue to remain consistent for the remainder of 2012 as the Company continues to make investments to support long-term growth initiatives.

Sales and Marketing

Sales and marketing expense for the three months ended March 31, 2012 was \$2.0 million. This represents an increase of \$0.2 million, or 15%, from sales and marketing expense of \$1.8 million for the three months ended March 31, 2011. The increase is a result of investments made in hiring additional sales people that have been hired since the first quarter of 2011.

As a percentage of revenues sales and marketing expense were 4% for the three months ended March 31, 2012 as compared to 5% in the comparative period. Compensation expenses were higher in the first quarter of 2012 while other sales and marketing costs such as trade show expenses and advertising have not changed significantly. Given the 38% increase in revenues when comparing the first quarter of 2012 to 2011, this expense to revenue comparison has been diluted.

Finance charges and income

Finance charges and income were consistent between the three month periods ended March 31, 2012 and 2011. Finance charges and income remain low as the balance sheet continues to be strengthened in anticipation of future growth opportunities.

Summary of Quarterly Results

(\$000 except per share amounts)	2012		2011				2010	
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total revenue	45,533	44,251	37,815	38,834	32,897	31,351	26,908	23,701
Net earnings from continuing operations	2,154	3,659	3,010	3,222	1,802	1,972	1,799	1,194
Net earnings	2,154	3,809	3,010	3,284	1,821	1,861	1,945	1,108
Basic earnings per share from continuing operations	0.08	0.14	0.11	0.12	0.07	0.07	0.07	0.04
Basic earnings per share	0.08	0.14	0.11	0.12	0.07	0.07	0.07	0.04
Diluted earnings per share from continuing operations	0.08	0.14	0.11	0.12	0.07	0.07	0.07	0.04
Diluted earnings per share	0.08	0.14	0.11	0.12	0.07	0.07	0.07	0.04

A number of factors contribute to variations in the Corporation's results between periods, the most noteworthy one being North American and worldwide rig counts.

The EP&S segment continues to work to diversify sales to a broader international customer base to increase global market share. The Mobile Solutions segment is focused on increasing its market share in the US, while strategically making inroads into targeted international markets. These efforts will not only increase our overall revenues, but help to diversify our revenues from North American markets which, in the past several years, have been subject to significant fluctuations in demand.

Revenue increases are also anticipated in business lines which are not as reliant on oil and natural gas drilling programs to drive capital expenditures. This includes our strategic investment in starting up Rig Parts as well as Inotec and PDT.

Increases in rig counts have facilitated strong demand for our products which has resulted in revenues nearly doubling in the past eight quarters. Profitability has also been trending higher the past eight quarters, with the exception of Q1 2012. A reduction in Mobile Solutions gross profit margin impacted our profitability in Q1 2012 and because of the product mix in our backlog we do not anticipate the rate of profitability in Mobile Solutions to return to its 2011 level in the near term.

Liquidity and Capital Resources

At March 31, 2012, the Corporation has \$23.4 million in cash and cash equivalents and access to \$10 million in availability under an operating line of credit facility.

Selected cash flow and capitalization information is as follows:

For the three months ended March 31 (\$000)	2012	2011
Cash (used in) generated from operating activities	(3,343)	2,220
Cash used in investing activities	(1,543)	(1,945)
Cash used in financing activities	(187)	(481)
Debt to equity ratio	0.57 to 1	0.50 to 1

Cash used by operating activities for the three months ended March 31, 2012 was \$3.3 million compared to \$2.2 million generated from the same period in 2011. The increase in cash used by operating activities was primarily the result of fluctuations in non-cash working capital balances and the payment of 2011 income taxes. This was partially offset by higher EBITDA.

Cash flows used in investing activities for the three months ended March 31, 2012 were \$1.5 million compared to \$1.9 million in the comparative period. The decrease in cash used was a result of cash generated from the repayment of notes receivable in the first quarter of 2012. Capital expenditures in the three month period ended March 31, 2012 were \$1.9 million, which is consistent with \$2.0 million in expenditures in the same period in 2011.

Cash flows used in financing activities for the three months ended March 31, 2012 were \$0.2 million compared to \$0.5 million in the comparative period. This is a result of the timing of dividend payments. A dividend of \$0.03 per common share, or \$0.8 million, was declared on March 22, 2012; however, this dividend was not paid in the three months ended March 31, 2012. In the comparative period, a dividend of \$0.3 million was declared and paid.

Management believes that with the projected level of operations for 2012 and the availability of cash and cash equivalents along with funds under the established credit facility, McCoy will have sufficient capital to fund its operations and strategic growth. Management consistently monitors economic conditions and will manage capital spending accordingly.

The debt to equity ratio may fluctuate as McCoy completes acquisitions and alternate forms of financing are used. McCoy has taken a calculated risk approach in its use of debt to finance operations.

Related party transactions

The Corporation recorded operating lease expense of \$158 (March 31, 2011 - \$267) with respect to related party operating leases.

The Corporation has three lease agreements with a company whose principal was an officer of the Corporation. As of February 2012 this principal is no longer an officer of the Corporation and therefore these lease agreements are no longer related party transactions. The Corporation remains contractually committed to the payments under the lease arrangements.

The following is a summary of each agreement that is no longer a related party commitment:

- i) Minimum annual lease payments of U.S. \$154 per year until 2017. The Corporation has the option to renew the lease for another five years at U.S. \$162 per year.
- ii) Minimum annual lease payments of U.S. \$301 per year until 2017. The Corporation has the option to renew the lease for another five years at U.S. \$330 per year.
- iii) Minimum annual lease payments of U.S. \$190 per year, beginning in July 2012, until 2022.

Outstanding Share Data

As at May 9, 2012 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	26,510,912
Convertible equity securities:	
Stock options	1,615,000

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

Dividends

A summary of historical dividend information is as follows:

Dividend Declared	Dividend Paid	Amount per Common Share
March 22, 2012	April 12, 2012	\$0.03
December 13, 2011	December 30, 2011	\$0.03
September 30, 2011	October 28, 2011	\$0.01
May 19, 2011	June 30, 2011	\$0.01
March 17, 2011	April 11, 2011	\$0.04
March 10, 2011	March 31, 2011	\$0.01
September 17, 2009	October 15, 2009	\$0.01
May 29, 2009	June 30, 2009	\$0.01
February 26, 2009	March 31, 2009	\$0.01
December 4, 2008	December 31, 2008	\$0.03

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, 2012 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 Annual Report. Please see page 40 of McCoy's 2011 Annual Report for a discussion of internal controls over financial reporting and disclosure controls.

Other Items

There have been no significant changes in the following items from those described in our 2011 Annual Report. Please refer to the page numbers listed below from McCoy's 2011 Annual Report:

- Financial instruments and financial risk management – pages 32-34;
- Capital management – page 35;
- Contractual obligations and off balance sheet arrangements – page 36;
- Critical accounting estimates and judgments – page 38;
- Recent accounting pronouncements issued and not yet adopted – page 39; and
- Critical risks and uncertainties – pages 40-44.

Outlook

The outlook for global drilling activity remains robust for the remainder of 2012.² McCoy anticipates the strength in its EP&S segment will continue to drive increases in overall revenue, net earnings, EBITDAS and cash flow for the remainder of 2012.

McCoy's focus on innovative product development is advancing on target. The Company expects its new "we" line of products to begin to generate revenue in the third quarter of 2012. The iron roughneck (weTORQ85) and the torque sub (weCATT) are both expected to enter the market shortly. Three additional products are under development and progressing on target, including an electric bucking unit (weBUCK and weSTART), a hydraulic catwalk (weMOVE35) and a casing running tool (weRUN350 and weRUN500). McCoy expects these new higher margin products to generate \$150 million in additional revenue over the next five years.

McCoy anticipates revenue growth from Rig Parts throughout the remaining months of 2012. This operation positions McCoy for global expansion in the replacement parts and service business and serves as an important strategic initiative by allowing the Corporation to develop close partnerships with its customers. In our Houston facility, our technical service business will launch in the second quarter.

Following a successful rebuilding phase, McCoy will continue to invest in Inotec. The Company expects to realize higher profitability from this division, thanks in part to increased activity in the oil sands.

The outlook for Mobile Solutions is more challenged with decreased customer spending in the pressure pumping market. The Company anticipates this segment will remain a solid contributor throughout 2012 with increased activity from the U.S. heavy haul oil field

² Spears and Associates, Drilling and Production Outlook, March 2012

trailer market. McCoy is working with its sub-contractors to identify efficiencies in their manufacturing processes to improve margins. McCoy has also implemented price increases on certain products to maintain profitability.

McCoy's balance sheet is strong and provides us with the flexibility to invest in innovation for long-term growth and to pursue prudent and meaningful acquisitions to strengthen our product and service offerings. McCoy continues to advance its goal of being the trusted provider of innovative products and services for the global energy industry.

Other Information

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2011 is available on SEDAR at www.sedar.com.

Condensed Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)
(Unaudited)

Note	March 31 2012	December 31 2011
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	23,374	29,383
Trade and other receivables	22,882	17,459
Current portion of notes receivable	595	592
Inventories	26,749	24,421
Other current assets	191	191
	73,791	72,046
Notes receivable	494	833
Property, plant and equipment	21,779	20,833
Intangible assets	12,197	12,738
Other assets	430	233
Deferred tax assets	2,865	2,840
Total assets	111,556	109,523
Liabilities		
Current liabilities		
Trade and other payables	28,025	25,001
Provisions	1,174	1,103
Dividends payable	795	-
Income tax payable	238	2,871
Current portion of borrowings	481	481
Current portion of finance lease obligations	270	253
	30,983	29,709
Borrowings	5,101	5,232
Finance lease obligations	138	226
Deferred tax liabilities	4,175	3,987
Total liabilities	40,397	39,154
Shareholders' equity		
Share capital	56,155	56,152
Contributed surplus	3,729	3,579
Accumulated other comprehensive loss	(990)	(268)
Retained earnings	12,265	10,906
Total shareholders' equity	71,159	70,369
Total liabilities and equity	111,556	109,523

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

Condensed Consolidated Statements of Earnings and Comprehensive Income

For the three months ended March 31
(Stated in thousands of Canadian dollars, except per share amounts)
(Unaudited)

Note	2012	2011
	\$	\$
Revenue	45,533	32,897
Cost of sales	34,491	23,907
Gross profit	11,042	8,990
General and administration	5,818	4,484
Sales and marketing	2,020	1,761
Other losses (gains) (net)	8	(13)
Finance charges (net)	39	66
	7,885	6,298
Earnings from continuing operations before income taxes	3,157	2,692
Income tax expense		
Current	816	1,054
Deferred	187	(164)
	1,003	890
Earnings from continuing operations	2,154	1,802
Earnings from discontinued operations (net of tax)	-	19
Net earnings for the period	2,154	1,821
Other comprehensive loss for the period		
Translation loss on foreign operations	(722)	(1,130)
Comprehensive income for the period	1,432	691
Earnings per share	6	
Basic from continuing operations	0.08	0.07
Basic from discontinued operations	-	-
Basic from net earnings	0.08	0.07
Diluted from continuing operations	0.08	0.07
Diluted from discontinued operations	-	-
Diluted from net earnings	0.08	0.07

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

Condensed Consolidated Statement of Changes in Equity

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

(Unaudited)

	Issued capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings (deficit)	Total equity
	Number of shares	Amount				
	#	\$	\$	\$	\$	\$
Balances, January 1, 2011	26,475,912	56,014	3,224	(654)	1,631	60,215
Net earnings	-	-	-	-	1,821	1,821
Translation loss on foreign operations	-	-	-	(1,130)	-	(1,130)
Employee share based compensation expense	-	-	117	-	-	117
Dividends	-	-	-	-	(1,324)	(1,324)
Balances, March 31, 2011	26,475,912	56,014	3,341	(1,784)	2,128	59,699
Net earnings	-	-	-	-	10,103	10,103
Translation gain on foreign operations	-	-	-	1,516	-	1,516
Employee share based compensation expense	-	-	279	-	-	279
Dividends	-	-	-	-	(1,325)	(1,325)
Common shares issued on exercise of stock options	33,333	138	(41)	-	-	97
Balances, December 31, 2011	26,509,245	56,152	3,579	(268)	10,906	70,369
Net earnings	-	-	-	-	2,154	2,154
Translation loss on foreign operations	-	-	-	(722)	-	(722)
Employee share based compensation expense	-	-	151	-	-	151
Dividends	-	-	-	-	(795)	(795)
Common shares issued on exercise of stock options	1,667	3	(1)	-	-	2
Balances, March 31, 2012	26,510,912	56,155	3,729	(990)	12,265	71,159

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

Condensed Consolidated Statement of Cash Flows

For the three months ended March 31
(Stated in thousands of Canadian dollars)
(Unaudited)

	2012	2011
Cash generated from (used in)	\$	\$
Operating activities		
Earnings from continuing operations	2,154	1,802
Adjustments for:		
Amortization of property, plant and equipment	799	763
Amortization of intangible assets	333	284
Current income tax expense	816	1,054
Deferred tax expense	187	(164)
Finance charges (net)	39	66
EBITDA⁽¹⁾	4,328	3,805
Loss (gain) on disposal of property, plant and equipment	8	(1)
Share based compensation expense	243	162
Changes in non-cash working capital balances	(4,454)	(954)
Interest paid	(83)	(84)
Interest received	44	18
Income taxes paid	(3,429)	(1,633)
Net cash (used in) generated from continuing operating activities	(3,343)	1,313
Net cash generated from discontinued operating activities	-	907
Net cash (used in) generated from operating activities	(3,343)	2,220
Investing activities		
Repayment of notes receivable	334	-
Proceeds from sale of assets held for sale	-	27
Purchases of property, plant and equipment	(1,795)	(1,839)
Proceeds from the sale of property, plant and equipment	-	16
Purchases of intangible assets	(82)	(159)
Net cash used in continuing investing activities	(1,543)	(1,955)
Net cash generated from discontinued investing activities	-	10
Net cash used in investing activities	(1,543)	(1,945)
Financing activities		
Repayment of finance lease obligations	(69)	(103)
Repayment of borrowings	(120)	(113)
Proceeds from issuance of share capital on exercise of options	2	-
Dividends paid	-	(265)
Net cash used in continuing financing activities	(187)	(481)
Effect of exchange rate changes on cash and cash equivalents	(936)	(153)
Decrease in cash and cash equivalents	(6,009)	(359)
Cash and cash equivalents – beginning of the period	29,383	16,243
Cash and cash equivalents – end of the period	23,374	15,884

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

⁽¹⁾ EBITDA is a non-GAAP measurement defined as “earnings from continuing operations before impairment losses, interest, taxes, depreciation and amortization”

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012

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

1. Nature of operations

McCoy Corporation (“McCoy”) provides specialized equipment, service and replacement components to the global oil and gas sector. McCoy is incorporated and domiciled in Canada and has two operating segments: Energy Products & 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 manufactures specialized custom heavy-duty trailers primarily used in the oil and gas industry for pressure pumping, coil tubing and rig transport.

Set out below are McCoy’s principal operating subsidiaries:

Name of entity	Country of incorporation	Segment	Division
Farr Canada Corp.	Canada	EP&S	Drilling & Completions
Superior Manufacturing & Hydraulics, Inc.	United States	EP&S	Drilling & Completions
Precision Die Technologies, L.L.C.	United States	EP&S	Drilling & Completions
Inotec Coating and Hydraulics Inc.	Canada	EP&S	Coatings & Hydraulics
Peerless Limited	Canada	Mobile Solutions	Trailers

McCoy and its subsidiary companies are collectively referred to herein as the “Corporation”.

The address of the registered office of the Corporation is Suite 301, 9618 – 42nd Avenue, Edmonton, Alberta. The Corporation is listed on the Toronto Stock Exchange under the symbol MCB.

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board and should be read in conjunction with the Corporation’s annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards.

The accounting policies and method of computation adopted in these condensed consolidated interim financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended December 31, 2011.

These condensed consolidated interim financial statements were approved for issue on May 9, 2012.

3. Borrowings

	March 31, 2012	December 31, 2011
	\$	\$
Term loan #1, repayable in monthly principal instalments of \$20 until January 2015, plus interest at the lender's floating base rate (1.70% at March 31, 2012) plus 3.60%	4,365	4,426
Term loan #2, repayable in monthly principal instalments of \$18 until January 2015, plus interest at the lender's floating base rate (1.70% at March 31, 2012) plus 3.60%	630	682
Term loan #3, repayable in monthly principal instalments of U.S. \$3, including interest at 5.35%, until June 2026	587	605
	5,582	5,713
Less: current portion	481	481
	5,101	5,232

The Corporation has a \$10,000 demand operating line of credit facility which has not been drawn upon. If drawn upon, interest on the outstanding principal is repayable monthly.

The operating line of credit facility bears interest at the lenders prime rate, plus 0.5%. At March 31, 2012 the interest rate on the facility is 3.5% (December 31, 2011 – 3.5%). The facility is subject to a standby fee of 0.25% (December 31, 2011 – 0.25%) on the unutilized portion of the facility.

The full amount of the facility is available to the Corporation (December 31, 2011 - \$6,927).

The Corporation has issued U.S. \$2,025 (December 31, 2011 - U.S. \$1,791) in outstanding letters of credit.

A general security agreement over all past and future property is pledged as collateral on term loans #1, #2 and the operating line of credit facility; as well as a first charge on all other fixed assets located in Canada (except equipment that is collateralized by existing leases) and a second floating charge on all other assets.

Term loan #1 and #2 are also collateralized by a first specific charge on land and buildings in Penticton, British Columbia with a carrying value of \$5,472 (December 31, 2011 – \$5,705).

Term loan #3 is collateralized by a first specific charge on land and a building in Houston, Texas with a carrying value of \$840 (December 31, 2011 - \$860).

4. Dividends

Dividend Declared	Dividend Paid	Total Dividend	Amount per Common Share
		\$	\$
March 22, 2012	April 12, 2012	795	0.03
December 13, 2011	December 30, 2011	795	0.03
September 30, 2011	October 28, 2011	265	0.01
May 19, 2011	June 30, 2011	265	0.01
March 17, 2011	April 11, 2011	1,059	0.04
March 10, 2011	March 31, 2011	265	0.01

5. Share based compensation

The following reflects activity under the employee share option plan:

	March 31, 2012		December 31, 2011	
	Number of Options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
	#	\$	#	\$
Outstanding, beginning of period	1,141,667	2.77	1,115,000	3.29
Granted	535,000	3.20	350,000	3.49
Forfeited	-	-	(110,000)	2.98
Expired	(60,000)	5.50	(180,000)	7.25
Exercised	(1,667)	1.30	(33,333)	2.90
Outstanding, end of period	1,615,000	2.81	1,141,667	2.77
Exercisable, end of period	713,326	2.63	511,665	3.16

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

	March 31, 2012	December 31, 2011
Share price	\$3.20	\$3.49
Exercise price	\$3.20	\$3.49
Expected volatility	71%	67%
Risk-free interest rate	1.2%	2.3%
Annual dividend rate	0%	0%
Expected life of options in years	3.5 years	5.0 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 fair value of share options granted was \$1.62 per share option (December 31, 2011 - \$2.00 per share option), and the weighted average share price of options exercised was \$4.20 (December 31, 2011 - \$4.19).

6. Earnings per share

Three months ended	March 31, 2012			March 31, 2011		
	Earnings	Weighted Average Shares	Per share amount	Earnings	Weighted Average Shares	Per share amount
Basic earnings per share	\$	#	\$	\$	#	\$
Earnings from continuing operations available to common shareholders	2,154	26,509,428	0.08	1,802	26,475,912	0.07
Earnings from discontinued operations available to common shareholders	-	26,509,428	-	19	26,475,912	-
Earnings available to common shareholders	2,154	26,509,428	0.08	1,821	26,475,912	0.07
Diluted earnings per share						
Dilutive effect of options		340,874			348,496	
Earnings from continuing operations available to common shareholders	2,154	26,850,302	0.08	1,802	26,824,408	0.07
Earnings from discontinued operations available to common shareholders	-	26,850,302	-	19	26,824,408	-
Earnings available to common shareholders	2,154	26,850,302	0.08	1,821	26,824,408	0.07

7. Related party transactions

The Corporation recorded operating lease expense of \$158 (March 31, 2011 - \$267) with respect to related party operating leases.

The Corporation has three lease agreements with a company whose principal was an officer of the Corporation. As of February 2012 this principal is no longer an officer of the Corporation and therefore these lease agreements are no longer related party transactions. The Corporation remains contractually committed to the payments under the lease arrangements.

The following is a summary of each agreement that is no longer a related party commitment:

- i) Minimum annual lease payments of U.S. \$154 per year until 2017. The Corporation has the option to renew the lease for another five years at U.S. \$162 per year.
- ii) Minimum annual lease payments of U.S. \$301 per year until 2017. The Corporation has the option to renew the lease for another five years at U.S. \$330 per year.
- iii) Minimum annual lease payments of U.S. \$190 per year, beginning in July 2012, until 2022.

8. Segmented reporting

For the three months ended March 31, 2012

	External revenue	Inter-segment revenue	Total revenue	Gross profit	EBITDA	Earnings (loss) from continuing operations before income taxes
	\$	\$	\$	\$	\$	\$
EP&S	26,162	-	26,162	8,583	5,413	4,106
Mobile Solutions	19,371	-	19,371	2,459	769	665
Corporate	-	-	-	-	(1,854)	(1,614)
Total	45,533	-	45,533	11,042	4,328	3,157

For the three months ended March 31, 2011

	External revenue	Inter-segment revenue	Total revenue	Gross profit	EBITDA	Earnings (loss) from continuing operations before income taxes
	\$	\$	\$	\$	\$	\$
EP&S	18,586	-	18,586	5,995	3,177	2,265
Mobile Solutions	14,311	41	14,352	2,995	1,988	1,887
Corporate	-	-	-	-	(1,360)	(1,460)
Total	32,897	41	32,938	8,990	3,805	2,692

Geographic information

	2012		2011	
	Revenue	PP&E	Revenue	PP&E
	\$	\$	\$	\$
Canada	18,787	16,916	10,479	16,638
US	16,301	4,863	17,034	4,195
Middle East	3,193	-	654	-
Asia	3,039	-	434	-
Europe	2,179	-	2,297	-
United Kingdom	761	-	723	-
South America	666	-	327	-
Mexico	301	-	11	-
Australasia	264	-	474	-
Africa	42	-	464	-
	45,533	21,779	32,897	20,833

Revenue is attributed to a geographical region based on the location of the customer.