LETTER TO SHAREHOLDERS

McCoy's second quarter results show the continuation of a positive trend in McCoy's financial performance. Our improving results reflect our global sales initiatives in the Energy Products & Services segment, our improved efficiencies and cost controls put in place throughout the Company in 2009, and increased demand for custom chassis from our Mobile Solutions segment relating to multi-stage fracturing.

In the second quarter of 2010, we saw evidence that our strategic shift to being a more global company has started to show financial benefits. This is substantiated by growing international revenues from our drilling and completions equipment line. We see particular hot spots for growth in South America, specifically relating to the Brazilian offshore drilling sector. Substantial amounts of capital are being deployed in this area of the world to develop potentially prolific oil and gas reserves.

McCoy's Mobile Solutions segment has demonstrated a considerable turnaround in revenue in the first half of 2010. This turnaround is closely tied to increasing demand for custom chassis for hydraulic well fracturing equipment. This is resulting from longer horizontal wells and increasing numbers of fracturing stages being used by the oil and gas industry to tap into resource plays. For every 50,000 increase in horsepower required for fracturing jobs, we are typically seeing order requirements of 25 custom chassis by the service firms that conduct this activity. The run rate for McCoy's Mobile Solutions segment is currently two custom chassis per day. This will continue to be a focus for growth in the Mobile Solutions segment.

A summary of McCoy's quarterly financial results is shown in the following table:

($000)	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009
Total revenue	30,369	24,747	20,477	22,780	23,309
Net earnings (loss)	1,115	178	(11,236)	(779)	(1,479)
EBITDAS	2,969	1,575	(197)	620	(514)
Cash flow from operating activities	2,226	(407)	3,104	2,589	1,993
Cash flow from operating activities before non-cash working capital items	2,347	1,420	707	505	(733)

McCoy's 2010 second quarter financial results reflect the continued market recovery. Comparison to results from two to three years ago clearly show that we have yet to return to the activity levels when rig counts were much higher; however, financial performance has continued to improve in the second quarter of 2010 when compared to the first quarter of 2010. Total revenue has increased by 23% for the second quarter of 2010 compared to the first quarter of 2010. McCoy's order backlog has continued to increase; however, McCoy is continuing to view the recovery cautiously to ensure the revitalization is sustained.

McCoy has continued to build a strong financial position with approximately $5.8 million of cash on hand at the end of the second quarter and net debt of just $1.1 million. This compares to net debt of $3.0 million three months earlier, and $5.3 million one year prior. Balance sheet strength puts McCoy in a favourable position in terms of having options for growth, whether through internal investments or potential strategic corporate transactions. In addition, the Company is in exceptionally good health to weather potential future downturns as was necessary in 2009.

Our team is busy creating value for shareholders. This goal of value creation is top-of-mind as McCoy continues to achieve highly efficient operations and increased global sales, while examining potential deals and rewarding our most productive employees. We are pleased to be showing positive results for our shareholders as we continue to move global energy forward.

Jim Rakievich
President & Chief Executive Officer
August 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This interim Management's Discussion and Analysis ("MD&A"), dated August 3, 2010, should be read in conjunction with the unaudited interim consolidated financial statements and notes for McCoy Corporation ("the Company" or "McCoy") for the quarter ended June 30, 2010 and 2009; the annual audited consolidated financial statements and notes of McCoy for the years ended December 31, 2009 and 2008; and the MD&A for the year ended December 31, 2009. 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

Certain statements in this MD&A may constitute "forward looking statements" and although management of McCoy believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Expressions such as "anticipate", "expect", "believe", "estimate" or "forecast" are used to identify these forward looking statements. Such forward looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of McCoy to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These statements are based on conditions as of the date of this MD&A and McCoy does not undertake to update any forward looking statements that are contained herein except in accordance with applicable securities laws.

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.

Energy Products & Services Overview

Energy Products & Services is engaged in the manufacture of drilling and completions equipment, as well as service and replacement parts for the global oil and gas market. It is comprised of three divisions: Drilling & Completions, Coatings & Hydraulics, and Vac & Hydrovac.

The EP&S segment consists of Farr Canada ("Farr"), a division of McCoy, and Inotec Coatings and Hydraulics Inc. ("Inotec"), both located in Edmonton, Alberta; Superior Manufacturing & Hydraulics, Inc. ("Superior") and Precision Die Technologies, L.L.C. ("PDT") both located in Lafayette, Louisiana; Rebel Metal Fabricators Ltd. ("Rebel") located in Red Deer, Alberta; and Texas Breakout II, L.P., which operates as RP Manufacturing & Calibration ("RP") located in Conroe, Texas. On September 30, 2009, the manufacturing activities of RP were moved to Superior in order to utilize the manufacturing efficiencies in our Louisiana plant. McCoy has maintained the sales office in Conroe, Texas.

McCoy 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 during the first quarter of 2009.

The recent BP spill that took place in the Gulf of Mexico has impacted our business due to the immediate slowdown in drilling activity in that region. We have customers who are exposed to operating in the Gulf and the spending of these companies will be reduced. However, our exposure is limited as the majority of our business is located outside of the Gulf of Mexico. In addition, we serve offshore customers throughout the world and we expect that rigs left idle in the Gulf of Mexico will be relocated to work elsewhere.

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 drilling, the Middle East, Asia, South America, Central America, Mexico, North Africa, the former Soviet Union, and the Alberta oil sands; and

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

Mobile Solutions Overview

Mobile Solutions is involved in the manufacture of custom heavy-duty trailers and offers a wide range of parts and services for heavy-duty trucks and trailers. It consists of two divisions: Trailers and Parts & Service. The energy industry is the primary market for this segment but also includes forestry and infrastructure related industries.

The Mobile Solutions segment consists of Peerless Limited ("Peerless"), located in Penticton, British Columbia where both the Peerless and Scona brands are manufactured; and McCoy Parts & Service. In 2009, Scona Trailer Manufacturing ("Scona"), formerly a division of McCoy, was consolidated with Peerless. On April 1, 2010, the McCoy Service Centres and the non-manufacturing components of Peerless were combined to form a new company as the final step in the consolidation of these operations. These operations now operate under the banner of McCoy Parts & Service. McCoy Parts & Service consists of two centres located in Edmonton, one in Red Deer, one in Grande Prairie, Alberta and one in Penticton, British Columbia. Also included is our 50% interest in Prairie Truck Ltd., an International Truck dealership in the business of truck sales, parts and service located in Grande Prairie.

This segment will pursue growth through market expansion into new geographies such as the United States and overseas, diversification into less cyclical markets such as wind energy, and product development using its engineering expertise. For example, McCoy Parts & Service specializes in the heavy duty suspension market mostly serving the oil and gas industry. These custom, heavy duty suspensions are used throughout the world in mobile drilling and workover equipment and management is advancing sales efforts outside of Canada and into the U.S., as well as internationally with a specific focus in the Middle East. In addition, this segment, like the rest of McCoy, is focused on reducing expenses wherever possible and will continue to pursue manufacturing efficiencies to eliminate waste, reduce inventory, and increase throughput.

McCoy is the market leader in the design and manufacture of custom heavy-duty trailer chassis used in fracturing and workover operations, and particularly in shale oil and gas applications. These products are sold into North America and recently into the UK, the Middle East and Australia.

Financial Highlights

Three Months Ended June 30

($000 except per share amounts)	2010 $	2009 $	2008 $
Total revenue	30,369	23,309	44,201
Net earnings (loss) for the period	1,115	(1,479)	2,798
Basic (loss) earnings per share	0.04	(0.06)	0.11
Diluted (loss) earnings per share	0.04	(0.06)	0.11
EBITDAS(1)	2,969	(514)	5,663
EBITDAS(1) per share	0.11	(0.02)	0.20
Cash flow from operating activities	2,226	1,993	5,146
Cash flow from operating activities per share	0.08	0.07	0.18

McCoy's 2010 second quarter financial results reflect the continued market recovery for McCoy. Comparison of the previous periods clearly show that we have yet to return to the activity levels when rig counts were much higher; however, the financial performance has continued to improve in the second quarter of 2010 when compared to the first quarter of 2010. Total revenue has increased by 23% for the second quarter of 2010 compared to the first quarter of 2010 even though the worldwide rig count has decreased by 1% from March 2010 to June 2010.[a] McCoy's order backlog has continued to increase; however, McCoy is continuing to view the recovery cautiously to ensure the revitalization is sustained.

[a] Baker Hughes, Inc. Investor Relations, http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, accessed July 2010

Six Months Ended June 30

($000 except per share amounts)	2010 $	2009 $	2008 $
Total revenue	55,116	54,286	80,143
Net (loss) earnings for the period	1,293	(1,148)	4,599
Basic (loss) earnings per share	0.05	(0.04)	0.17
Diluted (loss) earnings per share	0.05	(0.04)	0.17
EBITDAS(1)	4,544	1,659	9,703
EBITDAS(1) per share	0.17	0.06	0.35
Cash flow from operating activities	1,819	4,987	3,893
Cash flow from operating activities per share	0.07	0.19	0.14
Total Assets	77,360	89,943	116,376
Total Liabilities	23,190	24,205	37,395
Total Long-term Liabilities	7,981	8,857	13,137

A dividend was not declared during the second or first quarters of 2010 and the fourth quarter of 2009 as the Board of Directors felt that it was prudent to preserve cash given the uncertainty in current market conditions. 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, and declared and paid a quarterly dividend of $0.01 per common share on June 30, 2009.

(1) EBITDAS and EBITDA

EBITDAS is a non-GAAP measurement defined as earnings before extraordinary and other non-recurring items, interest, taxes, depreciation, amortization and stock-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 assists 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 is a non-GAAP measurement defined as "earnings before extraordinary and 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 with 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.

EBITDAS and EBITDA have been calculated as follows for the three months ended June 30:

($000)	2010 $	2009 $	2008 $
Net earnings (loss) for the period	1,115	(1,479)	2,798
Income taxes (recovery)	553	(505)	1,437
Interest on debt	99	202	220
Amortization	1,108	1,228	1,072
EBITDA	**2,875**	**(554)**	**5,527**
Stock-based compensation	94	40	136
EBITDAS	**2,969**	**(514)**	**5,663**

EBITDAS and EBITDA have been calculated as follows for the six months ended June 30:

($000)	2010 $	2009 $	2008 $
Net earnings (loss) for the period	1,293	(1,148)	4,599
Income taxes (recovery)	614	(264)	2,251
Interest on debt	162	411	460
Amortization	2,249	2,464	2,106
EBITDA	**4,318**	**1,463**	**9,416**
Stock-based compensation	226	196	287
EBITDAS	**4,544**	**1,659**	**9,703**

Results of Operations

Sales by Operating Segment – Three Months Ended June 30

($000 except percentages)	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
2010 sales	21,053	13,501	(4,185)	30,369
2009 sales	16,276	9,838	(2,805)	23,309
Annual Percentage (Decrease) Increase	29%	37%		30%

Sales by Operating Segment – Six Months Ended June 30

($000 except percentages)	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
2010 sales	37,570	23,985	(6,439)	55,116
2009 sales	39,293	19,266	(4,273)	54,286
Annual Percentage (Decrease) Increase	(4%)	24%		2%

Revenue for the EP&S segment increased by 29% or $4,776,964 to $21,052,807 in 2010 from sales of $16,275,843 in the second quarter of 2009 due to increased spending in global drilling equipment and down-hole tool markets in these comparative quarters. Signs of recovery in the markets continue as revenues for EP&S have increased by $4,535,505, or 27%, from the first quarter of 2010 and worldwide rig counts have increased to 2,859 as at June 2010 compared to 1,987 as at June 2009.[b] Uncertainty remains in our outlook for the EP&S business as there is no clear view of how commodity pricing will impact drilling activity and spending decisions in the second half of 2010. International drilling activity was a bright light in 2009 and early 2010 as international sales remained strong in certain countries due to the recovering 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

[b] Baker Hughes, Inc. Investor Relations, http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, accessed July 2010

EP&S and Mobile Solution segments. While rig counts have increased substantially over the last year they remain well below 2008 peak levels; however, McCoy is seeing order activity increase. Capital goods orders for drilling & completions equipment typically lag the immediate increase in drilling rig activity and this cycle is no exception. EP&S is experiencing a backlog build up and anticipate the revenue pipeline for drilling and completions equipment to recover. The volatility in North American natural gas prices in the first half of 2010 is creating uncertainty as to North American gas drilling levels in the second half of 2010. If drilling activity levels drop, the improving demand for capital equipment could be derailed.

Revenues from Rebel, our Red Deer based vacuum tank and hydro-vac business, continued to struggle throughout this quarter however we are experiencing an increase in quoting and sales. Rebel's traditional market has been the Western Canadian Sedimentary Basin ("WCSB") which has experienced a recovery in the conventional oil and gas sector, however, the demand for this equipment has been very slow to recover. We anticipate recovery to be lengthy. To counteract this situation, Rebel has been and will continue to pursue sales opportunities outside of Canada, including international markets as well as initiate additional cost cutting measures.

Inotec 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 slow but steady recovery as our customers begin to work 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 fully recovered and as a result there is a buildup of work in that area.

The Mobile Solutions segment experienced an increase in revenue of $3,663,048, from $9,838,390 in the second quarter of 2009 to $13,501,438 for the same period in 2010. 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 near term capital equipment spending by these regional customers for the remainder of the year although WCSB patch activity has been steadily increasing.

McCoy Trailers has been successful in generating revenue above forecast and has more than doubled the revenues for the same period in 2009. Gross margins have improved through efficiencies gained during the market downturn.

The sales backlog for McCoy Trailers continues to grow, primarily in the custom drilling, well stimulation and servicing trailer market, both domestically and internationally. This growth is a result of the demand for more pressure pumping capacity to support horizontal drilling and multistage fracturing.

The custom well-servicing and stimulation trailers that were developed and delivered in the first quarter of 2010 for the shale gas plays in Australia were successful and McCoy Trailers continues to sell trailers into this region.

Additional backlog strength can also be attributed to a steady improvement in rig activity in conventional oil and gas in the WCSB and in the US. Demand for conventional rig moving trailers has steadily increased throughout the first half of the year but nothing near peak demand levels that were experienced in 2006.

The wind energy transport segment has not recovered significantly. There is still a large inventory of wind tower transport trailers remaining on the market and management does not anticipate this to change for the remainder of the year. Our innovative "Schnabel" style tower section trailer continues to be field-tested and we are uncertain as to when this product will be market ready.

There has been an increase in demand for forestry trailers, both long-wood and short-wood, resulting from the depletion of inventory at the mills and due to highway regulatory changes in Alberta.

Following a strategic review of operations, McCoy successfully consolidated its two trailer manufacturing businesses on time and under budget in the third quarter of 2009. McCoy moved all trailer manufacturing to the Penticton, British Columbia facility, where McCoy now manufactures both the Scona and Peerless brands. In turn, McCoy sub-leased the Edmonton trailer manufacturing plant resulting in ongoing annual cost savings of approximately $350,000 while maintaining output capacity.

McCoy is also realizing greater operational efficiencies through the consolidation of two Edmonton parts and service operations, providing customers a one-stop parts and services solution. McCoy has secured a sub-lessor for the vacated Edmonton parts and service operation in June resulting in ongoing annual cost savings of approximately $200,000.

Gross Profit by Operating Segment – Three Months Ended June 30

($000 except percentages)	**Energy Products & Services** **$**	**Mobile Solutions** **$**	**Total** **$**
2010 Gross Profit	8,594	3,591	12,185
% of Sales	41%	27%	40%
2009 Gross Profit	6,870	2,284	9,154
% of Sales	42%	23%	39%
Annual Percentage (Decrease) Increase	(1%)	4%	1%

Gross Profit by Operating Segment – Six Months Ended June 30

($000 except percentages)	**Energy Products & Services** $	**Mobile Solutions** $	**Total** $
2010 Gross Profit	16,055	6,600	22,655
% of Sales	43%	28%	41%
2009 Gross Profit	17,376	4,494	21,870
% of Sales	44%	23%	40%
Annual Percentage (Decrease) Increase	(1%)	5%	1%

Consolidated gross profit percentage has improved to 40% for the second quarter of 2010 compared to 39% in the same period of 2009. This improvement is a result of McCoy's continued monitoring and reduction of manufacturing overhead costs where possible to ensure protection of the gross profit.

EP&S increased gross profit by 25% or $1,723,280, from $6,870,294 for the second quarter of 2009 to $8,593,574 for the same period of 2010. The increase is tied directly to the increase in sales for the period. Gross profit as a percentage of sales decreased slightly from 2009 due to the higher Canadian dollar and price competition in some businesses such as our Vac & Hydrovac division.

Mobile Solutions segment's gross profit increased by $1,307,459 or 57%, from $2,283,589 for the second quarter of 2009 to $3,591,048 for the same period in 2010. This increase relates to increased activity in western Canada as well as the benefits of the baseline cost reductions that were a result of the consolidation of production facilities during the third quarter of 2009. In addition, the team in Penticton has done a good job of improving productivity in the plant and this has a positive impact on bottom line performance. The consolidation of operations will continue to provide long-term, baseline cost reductions going forward. This trend in the trailer manufacturing and parts and service industry is expected to continue for the foreseeable future as the McCoy Trailers portion of the Mobile Solutions segment is expected to continue to operate at approximately 75% of its capacity.

Salaries & Commissions

Salaries and commissions are comparable to the second quarter of 2009 with a slight increase of $45,235 or 1% for the second quarter of 2010 to $5,469,398, compared to $5,424,163 in the same period of 2009. The efficiencies obtained by McCoy offset the increased commissions due to the increase in revenues as salaries and commissions are 18% of revenues for the second quarter of 2010 compared to 23% for the same period of 2009.

Operations

Operations expenses were $2,768,152 in the second quarter of 2010 compared to $2,625,422 for the same period in 2009 representing an increase of $142,730 or 5%.

This increase corresponds to the increase in revenues for the second quarter of 2010 compared to the second quarter of 2009 as operations expenses such as utilities and maintenance are dependent on equipment and plant usage, which are driven by revenues. The Company's efforts to improve efficiencies are reflected in operations expenses declining to 9% of revenues for the second quarter of 2010 compared to 11% for the same period of 2009.

EP&S will continue to show an improvement in operations expenses due to ongoing cost control, operations cost reductions and the integration of RP's manufacturing activities at the Superior facility.

The Mobile Solutions segment will continue to show decreases in operations expense as the Edmonton facility has been subleased, which represent an annual savings of approximately $350,000. The consolidation of the McCoy Trailer facilities is also expected to provide operating cost efficiencies as the integration moves forward.

With the consolidation of two Edmonton parts and service operations, McCoy Parts & Service will reduce their operations expenses by approximately $200,000 on an annual basis as a portion of the Peerless Edmonton facility has subleased in June 2010.

Excluding the impact of potential acquisitions, operations expenses are expected to continue to decrease in 2010 due to the consolidation of plants and other cost cutting initiatives taken in 2009.

Amortization

Amortization expense of $1,108,160 in the second quarter of 2010 represents a $120,221 or 10% decrease from amortization expense of $1,228,381 for the same period in 2009. The decrease is attributable to the decreased base on which amortization is calculated as a result of management's decision to reduce capital spending for 2009 until markets begin to show a sustained recovery. For the second quarter of 2010, there were capital additions of $357,208 of equipment and intangible assets compared to $658,344 for the same period of 2009. Management expects this trend of reduced amortization expense to continue in 2010.

Interest on Debt

Interest on debt of $98,537 in the second quarter of 2010 represents a $103,005 or 51% decrease from interest expense of $201,542 for the same period in 2009. This is due to the fact that during the first quarter of 2010 McCoy was able to refinance its debt with more favourable interest rates and an extended amortization period. This trend of reduced interest compared to 2009 is expected to continue throughout 2010.

Selling

Selling expenses increased by $81,040 or 14% in the second quarter of 2010 to $654,260 from $573,220 for the same period in 2009. The increase relates to additional selling activity for the second quarter of 2010 compared to the same period in 2009. McCoy was represented in three trade shows during the second quarter of 2010 in Houston, Calgary and Russia which contributed to the increase in selling expenses. The increase in interest, quotes and sales from international locations such as Brazil will continue to require direct contact with our customers in those regions. Management expects selling expense to increase as a percentage of sales in 2010 as continued efforts to expand McCoy's international sales occurs.

Corporate Services

Corporate services expenses decreased by $167,757 to $418,848 for the second quarter of 2010 compared to $586,605 for the same period in 2009, or 29%. This decrease is a direct result of McCoy's efforts to trim non-essential costs.

Foreign Exchange

As a result of the weakening Canadian dollar against the U.S. dollar during the second quarter of 2010, McCoy recorded a foreign exchange gain in the amount of $94,964, compared to a loss of $433,693 for the comparative period in 2009. The quarterly gain is the net effect of exchange rate fluctuations on the translation of foreign currency balances to Canadian dollar balances as at June 30, 2010, as well as the conversion of certain U.S. dollar balances to prevent draws on the line of credit. McCoy typically holds a 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. 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.

Stock Based Compensation

Stock based compensation of $94,062 for the second quarter of 2010 represents a 137% or $54,435 increase from $39,627 for the same period in the prior year. This increase is in line with the amortization of the stock-based compensation as additional stock options were granted during the year. McCoy employs the fair value method of accounting for stock-based compensation and the result is a charge to stock-based compensation expense over the vesting period of the option. This level of expense is expected to continue in the coming year unless additional stock options are granted, in which case the expense would then be expected to increase.

Summary of Quarterly Results ($000's)

	2010		**2009**				**2008**	
($000 except per share amounts)	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
	$	$	$	$	$	$	$	$
Total revenue	30,369	24,747	20,477	22,780	23,309	30,976	41,235	47,017
Net earnings (loss) before goodwill and intangibles impairment	1,115	178	(112)	(779)	(1,479)	331	1,840	1,909
Goodwill and intangibles impairment, net of tax	-	-	(11,124)	-	-	-	(13,900)	-
Net earnings (loss)	1,115	178	(11,236)	(779)	(1,479)	331	(12,060)	1,909
Basic earnings (loss) per share	0.04	0.01	(0.42)	(0.03)	(0.06)	0.01	(0.44)	0.07
Diluted earnings (loss) per share	0.04	0.01	(0.42)	(0.03)	(0.06)	0.01	(0.44)	0.07

The second quarter of 2010 shows a continued recovery in revenues compared to 2009 due to improved activity in the WCSB, North America and internationally as order books have increased in both McCoy segments. McCoy anticipates 2010 to be a modest recovery year as worldwide rig counts have begun to increase and is positioned well to benefit from the additional activity.

Liquidity and Capital Resources

Three Months Ended June 30

($000)	**2010** **$**	**2009** **$**	**2008** **$**
Cash (used in) provided by operating activities	2,226	1,993	5,146
Cash used in financing activities	(213)	(1,318)	(2,495)
Cash used in investing activities	(346)	(1,009)	(1,077)
Foreign exchange gain (loss) on cash held in foreign currency	83	90	(5)
Increase (decrease) in cash	**1,750**	**(244)**	**1,569**

Cash flow provided by operating activities for the three months ended June 30, 2010 increased by $233,480 or 12% compared to the same period in 2009. Most of this increase related to the increase in earnings for the period offset by the decrease in non-cash working capital components of approximately $2.8 million. In 2009, the Company had employed measures to reduce inventory to boost cash from operations in preparation for a downturn. Because rebounding activity in the global drilling equipment and down-hole tool markets has led to increased sales, the Company has had to rebuild its working capital during 2010.

Cash used by financing activities decreased by $1.1 million or 84% for the second quarter of 2010 compared to the same period in 2009 as McCoy enjoyed reduced debt payments as a result of refinancing of its debt. McCoy has not declared or paid any dividends during 2010 as the Board thought it prudent to conserve cash given current economic uncertainty. Comparatively in 2009, $264,759 of dividends were declared and paid. McCoy has approved capital expenditures for 2010 in the amount of $2.9 million. 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 June 30, 2010 of $5.8 million and $10 million is available under its Canadian credit facility. As at June 30, 2010, based on the levels of accounts receivable and inventories used to calculate the available credit, McCoy has access to the full $10 million of the Canadian credit facility. McCoy also has U.S. $1.8 million available under a U.S. operating line of credit facility.

Management believes that, with the projected level of operations for 2010 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.

Normal Course Issuer Bid

On October 1, 2009, McCoy filed notice with the Toronto Stock Exchange to make a Normal Course Issuer Bid ("the Bid") to purchase through the facilities of the exchange, from time to time as it considers advisable, up to 1,323,796 of the issued and outstanding common shares (being approximately 5% of the 26,475,912 common shares outstanding at September 24, 2009). The maximum number of common shares that may be purchased on a daily basis is 7,101, which is equal to 25% of the average daily trading volume for the six months ended September 30, 2009.

The Bid commenced on October 5, 2009 and will continue until the earlier of October 4, 2010 or the date by which McCoy has acquired the maximum number of common shares which may be purchased under the Bid. Purchases will be made through the facilities of the Toronto Stock Exchange and the price at which McCoy may purchase its common shares will be the market price of the common shares at the time of purchase. McCoy has appointed Mackie Research Capital Corporation as its broker to conduct Normal Course Issuer Bid transactions. Common share purchases by McCoy will be returned to treasury for cancellation. During the six months ended June 30, 2010, no common shares were repurchased.

Management of McCoy believes that from time to time, the market price of the common shares may not reflect their underlying value and that, at such times, the purchase of common shares for cancellation will increase the proportionate interest of, and be advantageous to, all remaining shareholders.

Debt to Equity Ratio

June 30, 2010	December 31, 2009	June 30, 2009
0.43 to 1	0.40 to 1	0.37 to 1

The debt to equity ratio fluctuates as McCoy completes acquisitions and alternate forms of financing are used. Previous to the first quarter of 2009, this ratio had consistently improved and McCoy has been able to maintain this over the last year. 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, note receivable, accounts payable and accrued liabilities, long-term debt and obligations under capital lease.

Classification of Financial Instruments

As at June 30, 2010, the classification of financial instruments is as follows:

(a) Cash and temporary investments are classified as financial assets held for trading and measured at fair value. Gains and losses related to periodical evaluations are recorded in net income.

(b) Accounts receivable and the note receivable are classified as loans and receivables and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method. All accounts receivable bad debts are charged to operations expense

(c) Accounts payable and accrued liabilities, long-term debt, and obligations under capital lease are classified as other liabilities and are initially measured at fair value. Subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

(d) Transaction costs are expensed as incurred.

(e) Interest expense for financial instruments is recorded in net income.

Financial Risk Management

McCoy's activities are exposed to a variety of financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk. McCoy's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on McCoy's financial performance. The risk management program is carried out by financial management in conjunction with overall corporate governance. The principal financial risks to which McCoy is exposed are described below:

Foreign Currency Risk

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The large ratio of international to domestic sales McCoy has experienced may increase the risk of this exposure as McCoy's 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. Included in earnings for the three-month period is $94,964 of foreign exchange gains (2009 – loss of $433,693).

Interest Rate Risk

McCoy's interest rate risk arises from its floating rate long-term debt and obligations under capital lease. McCoy does not currently hold any financial instruments that mitigate this risk and management believes that the impact of interest rate fluctuations will not be significant. For each 1% change in the rate of interest on loans subject to floating rates, McCoy would incur approximately $68,500 (2009 – $45,000) in annual interest reduction or increase.

Credit Risk

McCoy is exposed to credit risk through its accounts receivable with its customers. This risk is now elevated compared to prior years due to the impact the current credit markets and general economy have had on 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 following the credit evaluation. 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 $271,695 (December 31, 2009 – $296,643). McCoy also has foreign sales which are normally paid prior to shipping. The Mobile Solutions segment liens any repair that is over $1,000. For the six-month period ended June 30, 2010 and year ended December 31, 2009, McCoy did not have any customers that represented greater than 10% of its revenue.

The following table sets forth details of aging of receivables:

	June 30, 2010		December 31, 2009	
($000 except percentages)	$	*%*	$	*%*
0 to 30 days (current)	9,663	*55*	6,010	*64*
31 to 60 days	5,339	*30*	1,888	*20*
61 to 120 days	1,314	*7*	1,105	*12*
Over 120 days	1,482	*8*	432	*4*
Sub-total accounts receivable	17,798	*100*	9,435	*100*
Less: Allowance for doubtful accounts	(272)	*(2)*	*(297)*	*(3)*
Trade receivables	17,526	*98*	9,138	*97*
Other receivables	374	*2*	314	*3*
Total accounts receivable	17,900	*100*	9,452	*100*

Liquidity Risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We manage our liquidity risk by monitoring our cash flows and other anticipated expenses so there are sufficient cash resources to meet forecasted operational expenses and financial obligations. Cash on hand at the period end was $5.8 million and $10 million is available under the Canadian credit facility. As at June 30, 2010, based on the levels of accounts receivable and inventories used to calculate the available credit, McCoy had access to the full $10 million of the line. McCoy also has U.S. $1.8 million available under a U.S. operating line of credit facility.

The following table shows the anticipated timing of future cash outflows relating to trade and other payables and finance debt.

	June 30 , 2010		December 31, 2009	
	Trade and other payables	**Finance debt**	**Trade and other payables**	**Finance debt**
($000)	**$**	**$**	**$**	**$**
Within one year	14,239	865	11,915	1,250
1 to 5 years	-	5,982	-	5,767
	14,239	6,847	11,915	7,017

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 note receivable, long-term debt and obligations under capital lease approximate their carrying values since their stated interest rates approximate the market interest rates at June 30, 2010 and December 31, 2009.

Capital Management

McCoy's objectives when managing its capital are to safeguard McCoy'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 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, McCoy may assume additional debt, issue new shares, or sell assets to reduce debt.

McCoy no longer monitors its capital on the basis of total debt/tangible net worth. The ratio of Funded Debt to EBITDA, calculated on a rolling four quarter basis, is the measure that McCoy uses to monitor its capital as this is a key financial covenant with the McCoy's lender.

The following table sets forth the calculation of funded debt to EBITDA:

	June 30, 2010	**December 31, 2009**
($000 except ratios)	**$**	**$**
Current portion of long-term debt	452	844
Current portion of obligations under capital lease	413	406
Long-term debt	5,334	4,917
Obligations under capital lease	648	850
Total funded debt	6,847	7,017
Normalized rolling four-quarter EBITDA	4,585	2,407
Funded debt to EBITDA	1.49	2.92

The improvement in the funded debt to EBITDA is attributable to the improved rolling four quarter EBITDA for the period ended June 30, 2010. The EBITDA of the second quarter of 2009 was a loss of $554,043. This loss has been dropped off of the rolling four quarter EBITDA calculation for June 30, 2010 resulting in the improvement from the December 31, 2009 calculation.

McCoy's lending requirements as at June 30, 2010 were subject to:

- Maintenance of the ratio of current assets to current liabilities of no less than 1.25:1;
- Funded debt to EBITDA, calculated on a rolling four-quarter basis, of 2.50:1 or better; and

- An EBITDA to interest expense plus the current portion of long-term debt, calculated on a rolling four-quarter basis, ratio of 1.20 to 1; and

- Starting 2011, a payment to a maximum of $250,000 per year is required if EBITDAS is less than $5 million per year.

At June 30, 2010, McCoy was in compliance with all of its obligations under these ratios.

Inventories

($000)	June 30, 2010	December 31, 2009
Raw materials	3,182	3,238
Work-in-progress	5,811	4,028
Finished goods	9,979	10,846
Trucks	371	528
	19,343	18,640

During the three months ended June 30, 2010, cost of sales was $18,184,350 (2009 – $14,155,389), which included $17,673,951 (2009 – $13,373,498) of costs associated with inventory, a recovery of $111,001 due to inventory adjustments (2009 – $37,185) and $621,400 (2009 – $819,076) of freight and warranty expenses.

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	2010	2011	2012	2013	2014	Thereafter
Operating lease obligations	24,448	1,893	3,225	2,668	2,437	2,434	11,791
Obligations under capital leases	1,060	208	376	253	185	33	5
Long-term debt	5,787	226	452	453	452	453	3,751
Total	31,295	2,327	4,053	3,374	3,074	2,920	15,547

Transactions with Related Parties

Sale-Leaseback

On April 30, 2003, McCoy sold all of its existing land and buildings for $5,793,000, measured at appraised fair market values. A vendor take-back second mortgage for $700,000 was granted to the purchaser and repaid in August 2008. The sale resulted in a gain of $1,531,206 which will be added to income over the 15-year term of the leases described below. Amortization of $51,798 is included in income during the first six months of 2010 (2009 – $51,799).

On April 30, 2003 McCoy entered into lease agreements whereby the buildings will be leased for a period of 15 years. Minimum annual lease payments are $680,620 for the first five years, $751,459 for the following five years and are to be renegotiated at market rates for the last five years of the leases. As of November 1, 2009, $200,297 of the $751,459 minimum annual lease payments is recovered through a sublease.

The purchaser and lessor is a partnership owned by certain directors. These individuals are also directors of Foundation Equity Corporation, a 43% shareholder of McCoy.

Outstanding Share Data

As at August 3, 2010 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	26,475,912
Convertible equity securities	
Stock options	1,345,000

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 13 of the 2009 audited consolidated financial statements.

Critical Accounting Estimates

These interim financial statements were prepared with the same critical accounting estimates and methods as the fiscal year 2009 (please see pages 34 – 35 of McCoy's Annual Report for the fiscal year ended December 31, 2009 dated March 10, 2010 for a discussion of these estimates), along with the adoption of the CICA Handbook section:

- 3064 – Goodwill and Other Intangible Assets;
- 3855 – Financial Instruments – Recognition and Measurement;
- 3862 – Financial Instruments – Disclosures; and
- EIC 173 – Credit Risk and the Fair Value of Financial Asset and Financial Liabilities.

Recent Accounting Pronouncements Issued and Not Yet Adopted

(a) Convergence with International Financial Reporting Standards ("IFRS")

Canada's Accounting Standards Board ("AcSB") ratified a strategic plan that will result in GAAP, as used by Canadian public companies, being evolved and converged with IFRS over a transitional period to be completed by 2011. The official changeover date to IFRS is for interim and annual financial statements related to fiscal years on or after January 1, 2011. For McCoy this will be the period starting January 1, 2011. The conversion to IFRS will impact McCoy's accounting policies, information technology and data systems, internal control over financial reporting, and financial statement presentation and disclosure. The transition may also impact McCoy's business processes and operations, including such areas as contractual arrangements, debt covenants, and compensation arrangements.

McCoy's project and governance structure for its transition to IFRS, as detailed in prior MD&A disclosures, will remain in place through 2010. McCoy has completed the detailed assessment phase of its conversion project for all standards that affect the transition. McCoy is focusing efforts throughout 2010 on the solutions development and implementation phases of IFRS that will have an impact on McCoy's financial statements. To date, the project is progressing according to plan and work has begun on determining the quantitative impact of adopting IFRS on the financial statements of McCoy.

McCoy has identified the standards that have an impact on its financial statements, business process and systems. The key areas identified that impact McCoy are as follows:

Property, plant and equipment

Consistent with Canadian GAAP, under IFRS, separable components of property, plant and equipment ("PP&E") are recognized initially at cost. Under International Accounting Standards ("IAS") 16, *Property, Plant and Equipment,* an entity is required to choose, for each class of PP&E, to use either the cost model (consistent with Canadian GAAP) or the revaluation model. Under the revaluation model, an item of PP&E is carried at is revalued amount, which is its fair value at the date of the revaluation less any accumulated amortization and accumulated impairment losses. Increases in fair value are recorded in a revaluation surplus account in equity. Decreases in fair value will reduce the revaluation surplus account with any excess recognized in income.

The Board has approved a recommendation to adopt the cost model under IFRS and McCoy will review annual depreciation methods and useful lives.

Impairments

For assets other than financial assets, Canadian GAAP states a write-down to estimated fair value is recognized if the estimated undiscounted future cash flows from an asset or group of assets is less than their carrying value. Under IAS 36, Impairment of Assets, a write-down is recognized if the recoverable amount is less than the carrying value. The recoverable amount is the higher of the estimated fair value less costs to sell or value in use. Impairment is calculated as the amount by which the asset's carrying value exceeds its recoverable amount.

Differences exist relating to the process to conduct impairment tests under Canadian GAAP and IFRS. Canadian GAAP requires a two-step approach where undiscounted cash flows are first compared to the carrying value of the assets. If the cash flows are below the carrying values it would indicate impairment and management would perform the second step. Step two involves discounting the cash flows to calculate the actual impairment. Under IFRS the impairment test involves a single step. To both test for and calculate impairment discounted cash flows are compared to the carrying value of assets or cash generating units. It is possible that additional write-downs will be necessary under IFRS compared to Canadian GAAP if discounted cash flows are less than the carrying value but undiscounted cash flows are not.

Canadian GAAP does not permit the reversal of any previous impairment losses. IFRS requires the reversal of previous impairment losses where circumstances have changed such that the impairments have reduced. This could result in increased fluctuations in earnings, carrying values of PP&E, and the balances in shareholders' equity.

Provisions, contingent liabilities and contingent assets

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* requires a provision to be recognized when there is a present obligation (legal or constructive) as a result of a past transaction or event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligation. Probability is based on the threshold "more likely than not". Under Canadian GAAP, the threshold is "likely", which is interpreted as a higher threshold. It is possible there may be additional legal or contingent provisions that may require recognition in the financial statements because of this distinction.

<u>First-time adoption of IFRS</u>

Adoption of IFRS requires the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*. IFRS 1 lists specific exemptions McCoy may use when first adopting IFRS. If these exemptions are not taken, full retrospective application of IFRS is required. The most significant exemptions to McCoy are as follows:

Business combinations

For business combinations that occurred before the transition date, McCoy has the choice to either restate all of these business combinations under IFRS, restate all business combinations after an internally elected date, or not to restate any of the business combinations. Assets and liabilities acquired in a business combination that is not restated may still be de-recognized if they do not qualify for recognition under IFRS.

McCoy has participated in several business combinations and the Board has approved a recommendation to take this exemption so that any business combinations that occurred prior to January 1, 2010 will remain unchanged, subject to the requirements of appendix C of IFRS 1. From January 1, 2010 onwards, McCoy intends to account for all business combinations in accordance with CICA 1582 which is consistent with IFRS 3, *Business Combinations* for IFRS financial reporting.

Fair-value or revaluation as deemed cost

IFRS requires PP&E to be measured at a cost in accordance with IFRS. An exemption exists, upon transition to IFRS, which permits an asset to be recorded at deemed cost which is the fair value at the date of transition, or an event-driven valuation. This exemption may be applied to individual items of PP&E. Any write-up of the asset to a fair value above cost will be recorded in retained earnings.

The Board has approved a recommendation to elect to use deemed cost on all items of PP&E, excluding land. The Board has approved the recommendation to revalue land to fair value.

Cumulative translation adjustment

IAS 21, *The Effects of Changes in Foreign Exchange Rates,* requires a company to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition with reclassification of the previous amount made to retained earnings.

The Board has approved a recommendation to take this election and "reset" cumulative translation differences accumulated as at the date of transition to zero. As at December 31, 2009, there was an unrealized gain on translation of self sustaining foreign operations of $21,312. In the first set of IFRS financial statements this balance will be reset to zero which will result in an increase of $21,312 to opening retained earnings for the period ended December 31, 2010.

The gain/loss on a subsequent disposal of any foreign operation then excludes translation differences that arose before the date of transition, but includes all later translation differences.

The Board has also approved the following exemptions available under IFRS:

- to evaluate arrangements that may contain a lease at the date of transition;
- to not apply IFRS 2, *Share based payments,* for equity settled share-based payments granted on or before November 7, 2002; and
- to not apply IFRS 2, *Share based payments,* to share-based payments granted after November 7, 2002 that vested before the date of transition to IFRS.

Policy approval progress

During the second quarter the Board approved a number of policies relating to IFRS, the following is a summary of these policies:

Policy	Effect
Events after the reporting period	Events after the reporting period will be considered up to the authorization of the financial statements, and not the date of completion of the financial statements. McCoy has already incorporated this change.
Effects of change in foreign exchange rates	No changes are expected from the accounting treatment under Canadian GAAP.
Borrowing costs	No changes are expected from the accounting treatment under Canadian GAAP.

Project plan for 2010

At this time, McCoy has not finalized the impact of IFRS to its financial statements. McCoy will continue to report throughout 2010 on its conclusions and accounting policy choices on the standards noted above. McCoy expects to have the first draft of the IFRS Opening Balance Sheet, and explanatory notes prepared, in the fall of 2010. The first quarter IFRS statement is scheduled shortly thereafter. After both of those milestones have been met, McCoy expects to be in a position to disclose directional qualitative analysis on the impacts of the transition to IFRS, with quantitative information disclosed in the third quarter of 2010. While McCoy believes it has done an appropriate level of analysis in selecting its IFRS accounting policies, actual quantitative results may reveal additional impacts to McCoy. The International Accounting Standards Board ("IASB") projects may also force changes or adjustments to the Opening Balance Sheet and quarterly IFRS statements.

Impact of IASB projects

The IASB has several projects slated for completion in 2010 and 2011 that may significantly impact the transition to IFRS and the financial statements of McCoy. McCoy continues to monitor the IASB's progress on these projects and their impact on the McCoy's transition to IFRS.

Impact on information systems and technology

McCoy will make retrospective adjustments to Canadian GAAP figures as at December 31, 2010 in order to determine IFRS opening balances as at January 1, 2011as well as implement the modifications required to existing reports and new reports created to facilitate preparation of the increased note disclosure required by IFRS. Adjustments to reports are anticipated as the year progresses and the reports are put to use.

Impact on internal controls

McCoy's transaction-level controls will not be affected by the transition to IFRS in any material way. The transition to IFRS for McCoy mainly affects the presentation and disclosure of its financial statements. This may lead to significant presentation and process changes to report more detailed information in the notes of the financial statements, but it is not currently expected to lead to many measurement or fundamental differences in the accounting processes used by McCoy.

Financial reporting controls will change due to the transition to IFRS, but the impact will be minimal. The majority of change surrounds new processes, or modified processes, due to the fact that IFRS requires more judgment with respect to various accounting treatments. Processes and controls will be put in place to ensure McCoy is making the appropriate judgments and following the IFRS accounting policies selected. Ongoing processes required to properly apply some of McCoy's IFRS accounting policies from the start of 2010 for comparative purposes have been put in place and will be applied by all divisions.

McCoy rolled out the first phase of training for the wider finance group of the organization in the third quarter of 2008. The training focused on the above noted process changes for 2010. McCoy's finance group will continue to receive training on a regular basis to ensure they have the required understanding of new processes, policies and technical knowledge.

(b) Business combinations, consolidated financial statements and non-controlling interests

Business combinations, Section 1582

This section replaces the former Section 1581 "Business combinations" and provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 "Business Combinations" (January 2008). The new standard requires the acquiring entity in a business combination to recognize most of the assets acquired and liabilities assumed in the transaction at fair value including contingent assets and liabilities; and recognize and measure the goodwill required in the business combination or a gain from a bargain purchase. Acquisition-related costs are also to be expensed.

Consolidated financial statements, Section 1601 and Non-controlling interests, Section 1602

These two sections replace Section 1600 "Consolidated financial statements". Section 1601 "Consolidated financial statements" carries forward guidance from Section 1600 "Consolidated financial statements" with the exception of non-controlling which are addressed in a separate section. Section 1602 "Non-controlling interest" is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 "Consolidated and Separate Financial Statement" (January 2008). This standard requires McCoy to report non-controlling interest within equity, separately from the equity of the owners of the parent and transactions between an entity and non-controlling interests as equity transactions.

All three standards are effective January 1, 2011 at which time Canadian public companies will have adopted IFRS. Early adoption is permitted; however, the early adoption of one of the three standards would require adoption of the other two standards. Should McCoy engage in a business combination prior to 2011, consideration will be given to the potential impact of early adoption of these standards.

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 six-month period ended June 30, 2010 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 2009 Annual Report. Please see page 39 of McCoy's 2009 Annual 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 2009 Annual Report. Please see pages 39 – 43 of McCoy's 2009 Annual Report.

Outlook

In 2009, the global financial crisis and the economic slowdown created a challenging year for McCoy. We experienced commodity price volatility that decreased customer spending. As a result of the continued downturn in demand for all of McCoy's manufactured products and services, management implemented significant cost cutting measures in both McCoy business segments as well as the Company's head office in order to align overhead and production costs with lower revenues and earnings.

The BP disaster in the Gulf of Mexico during the quarter had an impact on McCoy. We have many customers that operate in the Gulf and these customers have reduced their purchasing of equipment, consumable parts as well as repairs for our hydraulics shop in Lafayette, Louisiana. However, this business, although important, does not represent a significant part of our revenue stream in the drilling and completions operations. Although offshore drilling activities in the Gulf of Mexico is now uncertain, we expect idled offshore rigs will be redirected to other parts of the world over time and in that case, we will continue to provide these customers with supplies and equipment. The rig counts in the Gulf of Mexico have been in steady decline over the last 10 years and over that period of time, our customer base has expanded significantly outside of the Gulf.

McCoy continues to drive it's commitment toward geographic revenue diversification. Market opportunities exist throughout the world and it is in the best interest of McCoy and our customers to increase our participation in the global energy industry. International marketing channels include direct sales and distributors. Countries like Brazil are positioning to invest heavily in their oil and gas development over the next 10 to 15 years. McCoy is working to position itself to participate in these long-term growth areas.

McCoy's continued application of lean manufacturing processes was a major success factor in 2009 and continues to be so in 2010 and beyond as these processes continue to provide a competitive advantage. The Company is committed to continuously improving efficiencies and moving closer to McCoy's goal of having its operations become centres of excellence for manufacturing with the ability to be a low cost provider with high quality standards. McCoy believes its experience with lean implementations will be an advantage in any manufacturing businesses that McCoy may acquire.

In certain cases, the cost reduction measures undertaken in 2009 will result in permanent savings in the future as business models were restructured. Looking forward, McCoy anticipates that its cost cutting measures will have a positive bottom line effect in 2010 and beyond as evidenced by the results in the first half of the year. One-time expenses related to cost cutting were absorbed in the 2009 financial results and are for the most part behind us.

McCoy's EP&S order backlog has reversed its decline and began to increase in late 2009 and for the first half of 2010. Capital goods orders for drilling & completions equipment typically lag the immediate increase in drilling rig activity and this cycle is no exception. We are now experiencing a backlog build up and anticipate the revenue pipeline for drilling & completions equipment to continue to recover. Continued order backlog growth is dependent upon a sustained recovery in global drilling activity. McCoy is a global market leader in the power tong business.

McCoy will continue to integrate its drilling equipment operations of Farr, Superior and PDT in order to gain cost efficiencies, speed up product development and take full advantage of McCoy's sales and marketing group. The manufacturing activities of RP Manufacturing & Calibration have been moved to the Lafayette plant in order to utilize manufacturing efficiencies in Louisiana.

McCoy's EP&S segment is focused on growing its replacement parts and service business for drilling equipment used worldwide. As customers continue to use existing capital equipment, the recurring revenue from maintaining this equipment is a large, worldwide market that McCoy has the ability to penetrate.

In addition, McCoy will continue to review and pursue opportunities to fill-in certain product offerings that will make the Company a horizontally 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 and through strategic acquisition. The February 28, 2009 acquisition of RP Manufacturing and Calibration is an example of a strategic acquisition which filled a product line gap. McCoy has ramped up its investment in new product development and will continue to invest in bringing new and innovative ideas to the market.

During the first quarter of 2010, McCoy entered into a licensing agreement with Vermillion River Tool & Equipment Co., Inc. ("Verteco") to manufacture and distribute the Verteco product line of innovative, casting-free, handling tools designed for handling heavy pipe strings in offshore drilling and well completions. The agreement provides the exclusive licensing for South America, Russia, Australia, Asia, Mexico, Africa, Indonesia and Canada. The licensing agreement is non-exclusive for the United States.

The licensed technology will help McCoy establish a greater presence in the growing handling tool market, a market that is already greater than $500 million annually. McCoy plans to act quickly to manufacture and sell the product line to existing casing services and drilling contractor customers. The products will find application in deep wells including offshore drilling and completions in areas such as the active offshore Brazil market. This licensing agreement complements McCoy's product line and is helping McCoy become a one-stop shop on a global basis for energy services equipment and tools.

In addition to broadening the global reach of McCoy's products, the Company's long-term growth strategy involves continued market leadership, ongoing technological innovation and a focus on lean operations. When examining the businesses in which McCoy is in a market leadership position, product development and innovation has been key to success. Because of this, McCoy is moving forward with a stronger commitment than ever before on increasing product development and innovation activities. There are many opportunities to help customers become safer, more efficient and more profitable with new tools and equipment. This commitment includes increasing McCoy's engineering resources in 2010 and beyond.

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 two new trailer models for the wind energy market is an example of this strategy.

The 2009 consolidation of McCoy's custom heavy-duty trailer production facilities into the Penticton plant provide efficiencies and reduce operating costs in the near and long-term. McCoy is also realizing greater operational efficiencies through the consolidation of the Peerless Parts and Service operation in Edmonton with the Edmonton Southside McCoy Service location, providing customers a one-stop parts and services solution.

McCoy has experienced modest recovery in almost all of the Company's business units in 2010. McCoy Trailers is now operating at approximately 75% plant capacity with the largest order backlog in over eighteen months. The rig counts in North America began a rebound in late 2009 and this has continued into 2010. International drilling activity looks reasonably strong at this point as well. This increase in activity has started the year off with improvements in orders for drilling equipment and custom trailer chassis. In particular, McCoy is seeing orders for trailer chassis that are required for fracturing operations in oil and gas drilling. We are the market leaders in the custom oilfield chassis business.

Increases in revenue in 2010 will have a stronger impact on the bottom line because of the cost reduction activities that took place throughout 2009. The licensing agreement with Verteco for their technological advanced handling tools is another positive step forward for McCoy.

Overall, 2010 is expected to be a "bridge year" as McCoy anticipates the transition from a recession type market to something that resembles a more normal market. Provided that commodity prices for oil and natural gas hold up or improve, McCoy would expect to see a much stronger year in 2011. McCoy entered 2010 with a strong balance sheet and cost reduced operations. McCoy's management team and employees are prepared for better times and are in a position to profitably take advantage of a stronger market when it happens.

Other Information

Additional information relating to McCoy, including the Company's Annual Information Form for the year end December 31, 2009 is available on SEDAR at www.sedar.com.

Interim Consolidated Balance Sheet

As at June 30, 2010 and December 31, 2009

	June 30 2010	December 31 2009
ASSETS	(unaudited)	(audited)
Current assets:		
Cash	$ 5,752,045	$ 4,871,278
Accounts receivable	17,900,495	9,452,325
Income taxes recoverable	384,437	4,761,674
Inventories	19,343,275	18,639,987
Current portion of note receivable	40,881	40,358
Prepaid expenses and deposits	602,856	791,886
Future income tax asset	1,685,720	1,542,579
	45,709,709	40,100,087
Note receivable	136,943	155,372
Property, plant and equipment	18,945,035	20,182,423
Intangibles	12,568,783	12,894,664
	$ 77,360,470	$ 73,332,546
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 14,239,424	$ 11,915,194
Current portion of long-term debt	452,496	844,080
Current portion of obligations under capital lease	412,997	406,220
Current portion of deferred gain	103,597	103,597
	15,208,514	13,269,091
Long-term debt	5,334,380	4,917,420
Obligations under capital lease	647,450	849,672
Deferred gain	673,532	725,330
Future income tax liabilities	1,325,824	1,189,339
	23,189,700	20,950,852
Shareholders' equity		
Share capital (note 4(b))	56,013,787	56,013,787
Contributed surplus (note 4 (e))	3,187,240	2,985,622
Accumulated other comprehensive income	315,375	21,312
Deficit	(5,345,632)	(6,639,027)
	54,170,770	52,381,694
	$ 77,360,470	$ 73,332,546

Interim Consolidated Statement of Deficit

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance – Beginning of period	$(6,461,023)	$ 7,384,530	$(6,639,027)	$ 7,318,337
Dividends paid	-	(264,759)	-	(529,518)
Net earnings (loss) for the period	1,115,391	(1,478,625)	1,293,395	(1,147,673)
Balance – End of period	$(5,345,632)	$ 5,641,146	$(5,345,632)	$ 5,641,146

Interim Consolidated Statement of Operations

	Three Months Ended		Six Months Ended	
	June 30 2010	June 30 2009	June 30 2010	June 30 2009
REVENUE	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	$ 30,368,972	$ 23,309,272	$ 55,116,050	$ 54,285,682
Cost of sales	18,184,350	14,155,389	32,460,692	32,416,139
Gross profit	12,184,622	9,153,883	22,655,358	21,869,543
EXPENSES				
Salaries and commissions	5,469,398	5,424,163	10,662,396	12,213,196
Operations	2,768,152	2,625,422	5,533,226	5,871,726
Amortization	1,108,160	1,228,381	2,249,189	2,463,479
Selling	654,260	573,220	959,980	921,262
Corporate services	418,848	586,605	893,373	882,414
Interest on debt	98,537	201,542	161,679	411,168
Stock based compensation	94,062	39,627	226,345	195,970
(Gain) loss on foreign exchange	(94,964)	433,693	5,179	296,773
(Gain) loss on disposal of property, plant and equipment	(312)	25,196	56,790	25,196
	10,516,141	11,137,849	20,748,157	23,281,184
Earnings (loss) before income taxes	1,668,481	(1,983,966)	1,907,201	(1,411,641)
Income taxes - current	497,609	131,389	620,462	284,961
- future	55,481	(636,730)	(6,656)	(548,929)
	553,090	(505,341)	613,806	(263,968)
Net earnings (loss) for the period	$ 1,115,391	$ (1,478,625)	$ 1,293,395	$ (1,147,673)
Basic and diluted earnings (loss) per share	$ 0.04	$ (0.06)	$ 0.05	$ (0.04)
Weighted Average Number of Shares				
Basic	26,475,912	26,475,912	26,475,912	26,475,912
Diluted	26,480,122	26,475,912	26,476,122	26,475,912

Interim Consolidated Statement of Other Comprehensive Income

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net income (loss)	$1,115,391	$(1,478,625)	$1,293,395	$(1,147,673)
Unrealized income (loss) on translation of self-sustaining foreign operations	703,662	(1,530,338)	294,063	(931,297)
Other comprehensive income (loss) for the period	$1,819,053	$(3,008,963)	$1,587,458	$(2,078,970)

Interim Consolidated Statement of Accumulated Other Comprehensive Income

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance – Beginning of period	$(388,287)	$ 2,764,180	$ 21,312	$ 2,165,139
Other comprehensive income (loss)	703,662	(1,530,338)	294,063	(931,297)
Balance – End of period	$ 315,375	$ 1,233,842	$ 315,375	$ 1,233,842

Consolidated Statement of Cash Flows

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Cash provided by (used in)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities:				
Net earnings (loss) for the period	$ 1,115,391	$ (1,478,625)	$ 1,293,395	$ (1,147,673)
Items not affecting cash				
Amortization	1,108,160	1,228,381	2,249,189	2,463,479
Amortization of deferred gain	(25,899)	(25,899)	(51,798)	(51,799)
Amortization of inventory fair value	-	114,858	-	229,716
Stock based compensation	94,062	39,627	226,345	195,970
Future income taxes	55,481	(636,730)	(6,656)	(548,929)
Loss (gain) on disposal of property, plant and equipment	(312)	25,196	56,790	25,196
Cash flow from operations before the following:	2,346,883	(733,192)	3,767,265	1,165,960
Net change in non-cash working capital items	(120,761)	2,725,834	(1,948,015)	3,821,277
	2,226,122	1,992,642	1,819,250	4,987,237
Financing activities:				
Repayment of obligations under capital lease	(99,759)	(317,068)	(198,002)	(628,009)
Repayment of long-term debt	(113,124)	(735,653)	(5,874,624)	(1,392,396)
Proceeds from long-term debt	-	-	5,900,000	-
Dividends paid	-	(264,759)	-	(529,518)
	(212,883)	(1,317,480)	(172,626)	(2,549,923)
Investing activities:				
Repayment of note receivable	9,917	32,595	19,958	39,268
Purchase of intangibles	(157,586)	-	(212,189)	-
Purchase of property, plant and equipment	(199,622)	(658,344)	(598,562)	(1,635,177)
Proceeds from disposal of property, plant and equipment	1,652	61,281	8,564	100,412
Business acquisition costs	-	(444,978)	-	(1,844,508)
	(345,639)	(1,009,446)	(782,229)	(3,340,005)
Foreign exchange gain on cash held in foreign currency	82,650	90,202	16,372	204,736
Increase (decrease) in cash	1,750,250	(244,082)	880,767	(697,955)
Cash - Beginning of period	4,001,795	3,995,993	4,871,278	4,449,866
Cash - End of period	$ 5,752,045	$ 3,751,911	$ 5,752,045	$ 3,751,911

Supplementary information (note 6)

McCoy
Interim Notes to Unaudited Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2010 and 2009

1. Basis of Presentation and Accounting Policies

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada (GAAP) for interim financial statements. These accounting principles and the methods of computation adopted in these financial statements are consistent with those used in the preparation of the audited financial statements for the year ended December 31, 2009. However, these interim consolidated financial statements do not include all information and footnote disclosures required under Canadian GAAP for annual financial statements. Accordingly, these unaudited consolidated interim financial statements should be read in conjunction with the audited financial statements and notes thereto, for the year ended December 31, 2009.

2. Recent Accounting Pronouncements Issued and Not Yet Adopted

Business combinations, consolidated financial statements and non-controlling interests

Business combinations, Section 1582
This section replaces the former Section 1581 “Business combinations” and provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 “Business Combinations” (January 2008). The new standard requires the acquiring entity in a business combination to recognize most of the assets acquired and liabilities assumed in the transaction at fair value including contingent assets and liabilities; and recognize and measure the goodwill required in the business combination or a gain from a bargain purchase. Acquisition-related costs are also to be expensed.

Consolidated financial statements, Section 1601 and Non-controlling interests, Section 1602
These two sections replace Section 1600 “Consolidated financial statements”. Section 1601 “Consolidated financial statements” carries forward guidance from Section 1600 “Consolidated financial statements” with the exception of non-controlling which are addressed in a separate section. Section 1602 “Non-controlling interest” is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 “Consolidated and Separate Financial Statement” (January 2008). This standard requires McCoy to report non-controlling interest within equity, separately from the equity of the owners of the parent and transactions between an entity and non-controlling interests as equity transactions.

All three standards are effective January 1, 2011 at which time Canadian public companies will have adopted IFRS. Early adoption is permitted; however, the early adoption of one of the three standards would require adoption of the other two standards. Should McCoy engage in a business combination prior to 2011, consideration will be given to the potential impact of early adoption of these standards.

3. Segmented Information

Three Months Ended June 30, 2010 (unaudited)

	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
Sales by segment				
Total external sales	18,144,708	12,224,264	-	30,368,972
Total inter-segment sales	2,908,099	1,277,174	(4,185,273)	-
Total sales	21,052,807	13,501,438	(4,185,273)	30,368,972
Cost of sales	12,459,233	9,910,390	(4,185,273)	18,184,350
Gross profit	8,593,574	3,591,048		12,184,622
Amortization	724,992	383,168		1,108,160
Other expenses	5,256,467	2,774,633		8,031,100
	5,981,459	3,157,801		9,139,260
Earnings before interest, income taxes and corporate charges	2,612,115	433,247		3,045,362
Corporate charges	426,220	852,436		1,278,656
Earnings (loss) before income taxes and interest	2,185,895	(419,189)		1,766,706
Gain on disposal of property	312	-		312
Earnings (loss) before income taxes and interest	2,186,207	(419,189)		1,767,018
Interest on debt	103,878	(5,341)		98,537
Earnings (loss) before income taxes	2,082,329	(413,848)		1,668,481
Income taxes (recovery)	736,729	(183,639)		553,090
Earnings (loss) for the period	1,345,600	(230,209)		1,115,391
Total identifiable assets	71,365,378	5,995,092		77,360,470
Additions to property, plant & equipment	178,600	21,022		199,622
Additions to intangibles	121,012	36,574		157,586
Additions to goodwill	-	-		-

Three Months Ended June 30, 2009 (unaudited)

	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
Sales by segment				
Total external sales	15,493,736	7,815,536	-	23,309,272
Total inter-segment sales	782,107	2,022,854	(2,804,961)	-
Total sales	16,275,843	9,838,390	(2,804,961)	23,309,272
Cost of sales	9,405,549	7,554,801	(2,804,961)	14,155,389
Gross profit	6,870,294	2,283,589		9,153,883
Amortization	802,619	425,762		1,228,381
Other expenses	5,601,860	3,025,532		8,627,392
	6,404,479	3,451,294		9,855,773
Earnings (loss) before interest, income taxes and corporate charges	465,815	(1,167,705)		(701,890)
Corporate charges	351,780	703,558		1,055,338
Earnings (loss) before income taxes and interest	114,035	(1,871,263)		(1,757,228)
Loss on disposal of property	-	(25,196)		(25,196)
Earnings (loss) before income taxes and interest	114,035	(1,896,459)		(1,782,424)
Interest on debt	117,192	84,350		201,542
Earnings (loss) before income taxes	(3,157)	(1,980,809)		(1,983,966)
Income taxes (recovery)	(640,045)	134,704		(505,341)
Earnings (loss) for the period	636,888	(2,115,513)		(1,478,625)
Total identifiable assets	54,139,893	35,802,975		89,942,868
Additions to property, plant & equipment	626,778	31,566		658,344
Additions to intangibles	-	-		-
Additions to goodwill	444,978	-		444,978

Six Months Ended June 30, 2010 (unaudited)

	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
Sales by segment				
Total external sales	33,296,542	21,819,508	-	55,116,050
Total inter-segment sales	4,273,567	2,165,484	(6,439,051)	-
Total sales	37,570,109	23,984,992	(6,439,051)	55,116,050
Cost of sales	21,515,057	17,384,686	(6,439,051)	32,460,692
Gross profit	16,055,052	6,600,306		22,655,358
Amortization	1,475,775	773,414		2,249,189
Other expenses	10,463,056	5,291,986		15,755,042
	11,938,831	6,065,400		18,004,231
Earnings before interest, income taxes and corporate charges	4,116,221	534,906		4,651,127
Corporate charges	841,820	1,683,637		2,525,457
Earnings (loss) before income taxes and interest	3,274,401	(1,148,731)		2,125,670
Loss on disposal of property	(56,790)	-		(56,790)
Earnings (loss) before income taxes and interest	3,217,611	(1,148,731)		2,068,880
Interest on debt	149,149	12,530		161,679
Earnings (loss) before income taxes	3,068,462	(1,161,261)		1,907,201
Income taxes (recovery)	987,542	(373,736)		613,806
Earnings (loss) for the period	2,080,920	(787,525)		1,293,395
Total identifiable assets	71,365,378	5,995,092		77,360,470
Additions to property, plant & equipment	566,229	32,333		598,562
Additions to intangibles	175,615	36,574		212,189
Additions to goodwill	-	-		-

Six Months Ended June 30, 2009 (unaudited)

	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
Sales by segment				
Total external sales	37,720,389	16,565,293	-	54,285,682
Total inter-segment sales	1,572,384	2,700,459	(4,272,843)	-
Total sales	39,292,773	19,265,752	(4,272,843)	54,285,682
Cost of sales	21,916,679	14,772,303	(4,272,843)	32,416,139
Gross profit	17,376,094	4,493,449		21,869,543
Amortization	1,610,123	853,356		2,463,479
Other expenses	12,002,923	5,994,326		17,997,249
	13,613,046	6,847,682		20,460,728
Earnings (loss) before interest, income taxes and corporate charges	3,763,048	(2,354,233)		1,408,815
Corporate charges	794,698	1,589,394		2,384,092
Earnings (loss) before income taxes and interest	2,968,350	(3,943,627)		(975,277)
Loss on disposal of property	-	(25,196)		(25,196)
Earnings (loss) before income taxes and interest	2,968,350	(3,968,823)		(1,000,473)
Interest on debt	247,497	163,671		411,168
Earnings (loss) before income taxes	2,720,853	(4,132,494)		(1,411,641)
Income taxes (recovery)	508,782	(772,750)		(263,968)
Earnings (loss) for the period	2,212,071	(3,359,744)		(1,147,673)
Total identifiable assets	54,139,893	35,802,975		89,942,868
Additions to property, plant & equipment	1,402,167	233,010		1,635,177
Additions to intangibles	-	-		-
Additions to goodwill	1,197,335	-		1,197,335

Geographic information

	Three months ended June 30, 2010		Three months ended June 30, 2009	
	Revenue	Property, plant and equipment and goodwill	Revenue	Property, plant and equipment and goodwill
	$	$	$	$
Canada	15,101,407	16,739,168	10,136,396	26,552,133
US	7,199,414	2,205,867	5,857,643	7,952,146
United Kingdom	2,904,145	-	535,587	-
Europe	2,177,883	-	2,652,701	-
Australasia	1,329,150	-	252,384	-
Middle East	923,767	-	2,521,293	-
Other	733,206	-	1,353,268	-
	30,368,972	18,945,035	23,309,272	34,504,279

	Six months ended June 30, 2010		Six months ended June 30, 2009	
	Revenue	Property, plant and equipment and goodwill	Revenue	Property, plant and equipment and goodwill
	$	$	$	$
Canada	28,873,294	16,739,168	24,757,877	26,552,133
US	13,315,377	2,205,867	12,525,642	7,952,146
United Kingdom	5,182,551	-	2,325,704	-
Europe	3,261,411	-	7,054,889	-
Australasia	1,351,795	-	460,007	-
Middle East	1,704,409	-	4,172,533	-
Other	1,427,213	-	2,989,030	-
	55,116,050	18,945,035	54,285,682	34,504,279

Revenue is allocated to geographic regions based on the customer location.

4. Share Capital

a. *Authorized*

Unlimited number of common, voting shares

Unlimited number of preferred, non-voting shares

b. *Issued*

	Six months ended June 30, 2010		Six months ended June 30, 2009	
	Common shares	**Amount**	**Common shares**	**Amount**
	#	**$**	**#**	**$**
Balance – Beginning and end of period	26,475,912	56,013,787	26,475,912	56,013,787

c. *Options*

The following reflects activity under the stock option plan from December 31, 2009 through June 30, 2010, and the weighted average exercise prices.

	Number of common shares under option	Weighted Average Exercise Price
	#	**$**
Outstanding – December 31, 2009	630,000	5.75
Expired	(15,000)	4.93
Granted	730,000	1.46
Outstanding – June 30, 2010	1,345,000	3.43

The following options are outstanding as at June 30, 2010:

Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable
#	(years)	$	#
735,000	4.61	1.46	101,666
90,000	2.67	3.07	59,999
265,000	1.74	5.57	243,333
255,000	0.92	7.01	255,000
1,345,000	3.21	3.43	659,998

McCoy used the Black-Scholes option pricing model to estimate the fair value of the options granted to employees. The following weighted average assumptions were used for options granted during the six-months ended June 30:

	2010	2009
Annualized volatility	71%	-
Risk free interest rate	2.3%	-
Expected life of options	3.5 years	-
Dividend	0%	-

Application of the fair value method resulted in a charge to stock-based compensation expense of $226,345 (2009 – $195,970) with a corresponding credit to contributed surplus.

d. Stock-based compensation expense

Total stock-based compensation for the period was as follows:

	Three Months Ended		Six Months Ended	
	June 30 2010 $	June 30 2009 $	June 30 2010 $	June 30 2009 $
Stock options	81,840	81,220	201,618	245,349
Cancelled unvested stock options	-	(41,593)	-	(49,379)
Deferred share units	12,222	-	24,727	-
	94,062	39,627	226,345	195,970

e. Contributed surplus

The following is a summary of activity during the period ended June 30, 2010 and the year-ended December 31, 2009:

	2010 $	2009 $
Contributed surplus – Beginning of period	2,985,622	2,653,421
Stock-based compensation expense	201,618	400,045
Cancellation of unvested stock options	-	(67,844)
Contributed surplus – End of period	3,187,240	2,985,622

f. Normal Course Issuer Bid

On October 1, 2009, the Toronto Stock Exchange ("TSX") accepted a notice filed by McCoy of its intention to conduct a normal course issuer bid through the facilities of the Toronto Stock Exchange. A copy of the Notice of Intention to make a Normal Course Issuer Bid may be obtained, without charge, by contacting the Company.

McCoy may purchase, from time to time, as it considers advisable, up to 1,323,796 of the issued and outstanding common shares (being approximately 5% of the issued and outstanding common shares at September 24, 2009). The maximum number of common shares that may be purchased on a daily basis is 7,101, which is equal to 25% of the average daily trading volume for the six months ended September 30, 2009.

During the six months ended June 30, 2010, no common shares were repurchased.

5. 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 ending June 30, 2010 and 2009:

	Three months ended June 30, 2010			Three months ended June 30, 2009		
	Earnings (numerator) $	**Shares** (denominator) #	**Per share amount** $	**Loss** (numerator) $	**Shares** (denominator) #	**Per share amount** $
Basic earnings (loss) per share						
Earnings (loss) available to common shareholders	1,115,391	26,475,912	0.04	(1,478,625)	26,475,912	(0.06)
Diluted earnings (loss) per share						
Dilutive effect of options		4,115			-	
Earnings (loss) available to common shareholders	1,115,391	26,480,027	0.04	(1,478,625)	26,475,912	(0.06)

	Six months ended June 30, 2010			Six months ended June 30, 2009		
	Earnings (numerator) $	**Shares** (denominator) #	**Per share amount** $	**Loss** (numerator) $	**Shares** (denominator) #	**Per share amount** $
Basic earnings (loss) per share						
Earnings (loss) available to common shareholders	1,293,395	26,475,912	0.05	(1,147,673)	26,475,912	(0.04)
Diluted earnings (loss) per share						
Dilutive effect of options		210			-	
Earnings (loss) available to common shareholders	1,293,395	26,476,122	0.05	(1,147,673)	26,475,912	(0.04)

6. Supplementary cash flow information

	Three Months Ended		Six Months Ended	
	June 30 2010 $	**June 30 2009 $**	**June 30 2010 $**	**June 30 2009 $**
Income taxes received	3,526,766	-	3,800,671	-
Income taxes paid	43,896	2,121,777	43,896	2,911,142
Interest paid	98,537	201,542	161,679	411,168