

## **PRESIDENT'S MESSAGE**

During the second quarter of 2012, McCoy continued to execute on our growth strategy by progressing on the development of new products, investing in facility expansions and upgrades and building an international Drilling & Completions (D&C) team based in Houston to support long term international growth. Second quarter revenue increased six percent year over year, with the strong performance from our EP&S segment being somewhat tempered by decreased market demand for products offered via our Mobile Solutions segment.

### **EP&S Segment Continues to Perform**

The EP&S segment continued its positive performance with a 31 percent increase in revenue for the three months ended June 30, 2012 in comparison to the three months ended June 30, 2011. The segment's performance is largely driven by D&C, which is experiencing high customer demand with international drilling activity continuing to support healthy product sales. As product backlog remains high for this segment, McCoy strives to increase throughput and improve manufacturing efficiency to expedite product delivery. Our other EP&S division, Coatings & Hydraulics, continued to contribute to the EP&S segment this quarter.

### **Meeting Customer Needs with New Products and Services**

McCoy continues to develop new products in response to the needs of our customers. We have begun manufacturing our newest product, the Torque Sub (weCATT), in response to customer orders and will deliver our first 10 units in the third quarter of 2012. The second product we are preparing to launch this year, the Iron Roughneck (weTORQ85), will begin the field-testing stage by September, with manufacturing expected to commence later in the third quarter of 2012. McCoy continues to advance development of three additional projects in our "we" product line, including an electric bucking unit (weBUCK and weSTART), a hydraulic catwalk (weMOVE35) and a casing running tool (weRUN350 and weRUN500), with plans to launch these products in 2013.

The development of our Rig Parts business line will offer customers drilling and completions replacement parts and represents a platform for future growth in the parts business. Rig Parts secured manufacturing space in the second quarter of 2012 and is in the process of transitioning to the new facility. Once the transition is complete, we anticipate revenue growth from the Rig Parts business during the remainder of 2012.

To more efficiently service our customers' equipment, we began setting up a new technical service center in Houston, which will be fully operational in the third quarter of 2012.

### **Expanding the Team to Prepare for Future Growth**

McCoy strategically recruits highly skilled personnel in anticipation of future growth. Last quarter, we added members to our international sales and marketing team based on the positive trends we are seeing in international markets. This quarter, we focused on building an international D&C team, and are in the process of filling key positions based in Houston. To support new product development, we have also added additional design engineers to our Houston team.

We recently welcomed Mr. John R. Irwin to serve as a director of the Company. Former President and Chief Executive Officer of Atwood Oceanics, Inc., John has extensive international energy services industry experience. I am confident that John will provide invaluable input and guidance as McCoy continues to execute on our growth strategy with a focus on expanding our international operations.

### **Improving our Business Operations**

McCoy continues to invest in infrastructure, facilities and management tools to improve our business operations. We successfully completed the retrofitting of part our Edmonton plant this quarter, on time and on budget, resulting in a state of the art, world class assembly and test facility. This facility was designed to enable efficient manufacturing of the Torque Sub (weCATT) and WinCatt Torque Turn Management System. McCoy believes the facility upgrade will significantly increase manufacturing capacity, potentially supporting up to a four-fold increase in the amount of units produced annually.

The recent expansion of our Broussard plant has added 14,000 square feet of dedicated manufacturing space to the bucking unit product line, which will increase the number of units that can be manufactured. The facility is expected to initiate operations in the third quarter of 2012.

We are preparing to launch a new ERP system to realize operational efficiencies, with a goal of achieving long-term cost savings. We plan to begin ERP implementation in the third quarter of 2012, with all D&C business operations on the system by Q2 2013.

## **Looking Forward**

For the remainder of 2012, McCoy will continue to expand our domestic and international market reach and increase international sales and marketing activities, while still focusing on the potential that exists in the domestic oil and gas markets. While the Mobile Solutions segment's efforts to penetrate the United States trailers market has positively contributed to the Company's revenue growth in the first half of 2012, the segment is currently facing a challenging market. Given this challenge, we continue to improve efficiencies of the Mobile Solutions segment to support its performance going forward. McCoy anticipates continued positive performance of its EP&S segment, supported by the launch of two new products, the launch of its Rig Parts business line, and the positive outlook for global drilling activity. Overall, McCoy believes that the strength of our EP&S segment will drive positive performance for the remainder of 2012.

Jim Rakievich  
President & Chief Executive Officer  
August 1, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis of Financial Results (MD&A), dated August 1, 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 annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. 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](http://sedar.com) and our website at [mccoyglobal.com](http://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 and amortization” and is used in monitoring compliance with debt covenants.

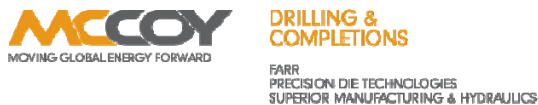
EBITDAS is a non-IFRS measure defined as “earnings from continuing operations before impairment losses, interest, taxes, amortization and share-based compensation”.

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 condensed consolidated interim 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.*



## 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 (“D&C”) and Coatings & Hydraulics. Our customers include service companies, drilling contractors (both land and offshore), drilling rig manufacturers and oilsands operators. Clients are typically global in nature and can operate in both land and offshore drilling environments.

- (i) D&C 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 or safety enhancement for our customers and corresponding increase in market share for McCoy
- increasing international sales by deploying an international sales team and penetrating new markets;
- investing in strategic hires and global infrastructure to support long-term growth; 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:

- progressing on the development of our new “we” product line. Five new major pieces of drilling and tubular handling equipment under the “we” product line are currently under development, with one new product commercially launched and a second product expected to be launched later in 2012;
- preparing for the implementation of a new Enterprise Resource Planning (ERP) system to integrate operations and achieve long-term cost savings. The ERP implementation will begin in Q3 2012, with all D&C business units transitioned by Q2 2013;
- continued investment in strategic hires and global infrastructure to support long-term growth;
- expanding our D&C head office, our center for continued innovation and technical service in Houston, Texas; and
- appointing John R. Irwin, former President and Chief Executive Officer of Atwood Oceanics, Inc., to the Board of Directors.

The EP&S segment also embraces continuous improvement by implement lean manufacturing techniques to increase throughput as well as quality resulting in reduced per unit costs, improved customer delivery times and improved product quality.

### **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, coil tubing, 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 some 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 and contraction when market’s decline.

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 June 30 (\$000 except per share amounts)	2012	2011
Total revenue	41,108	38,834
Net earnings	2,127	3,284
Per common share – basic	0.08	0.12
Per common share – diluted	0.08	0.12
EBITDAS	4,572	6,105
Per common share – basic	0.17	0.23
Per common share – diluted	0.17	0.23
For the six months ended June 30 (\$000 except per share amounts)	2012	2011
Total revenue	86,641	71,731
Net earnings	4,281	5,105
Per common share – basic	0.16	0.19
Per common share – diluted	0.16	0.19
EBITDAS	9,143	10,072
Per common share – basic	0.34	0.38
Per common share – diluted	0.34	0.38
Total assets	109,359	91,116
Total liabilities	36,637	28,309
Total non-current liabilities	6,974	8,293

EBITDA and EBITDAS are calculated as follows:

(\$000)	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Earnings from continuing operations	2,127	3,222	4,281	5,024
Income tax expense	1,067	1,623	2,070	2,513
Interest (net)	62	40	101	106
Amortization	1,179	1,082	2,311	2,129
<b>EBITDA</b>	<b>4,435</b>	<b>5,967</b>	<b>8,763</b>	<b>9,772</b>
Share-based compensation	137	138	380	300
<b>EBITDAS</b>	<b>4,572</b>	<b>6,105</b>	<b>9,143</b>	<b>10,072</b>

## **Revenue**

Revenue for the three months ended June 30, 2012 was \$41.1 million, an increase of \$2.3 million, or 6%, from the same period in 2011. Strong backlog and customer demand contributed to an increase in EP&S revenues of \$6.3 million, offset by a decline in Mobile Solutions revenue of \$4.0 million.

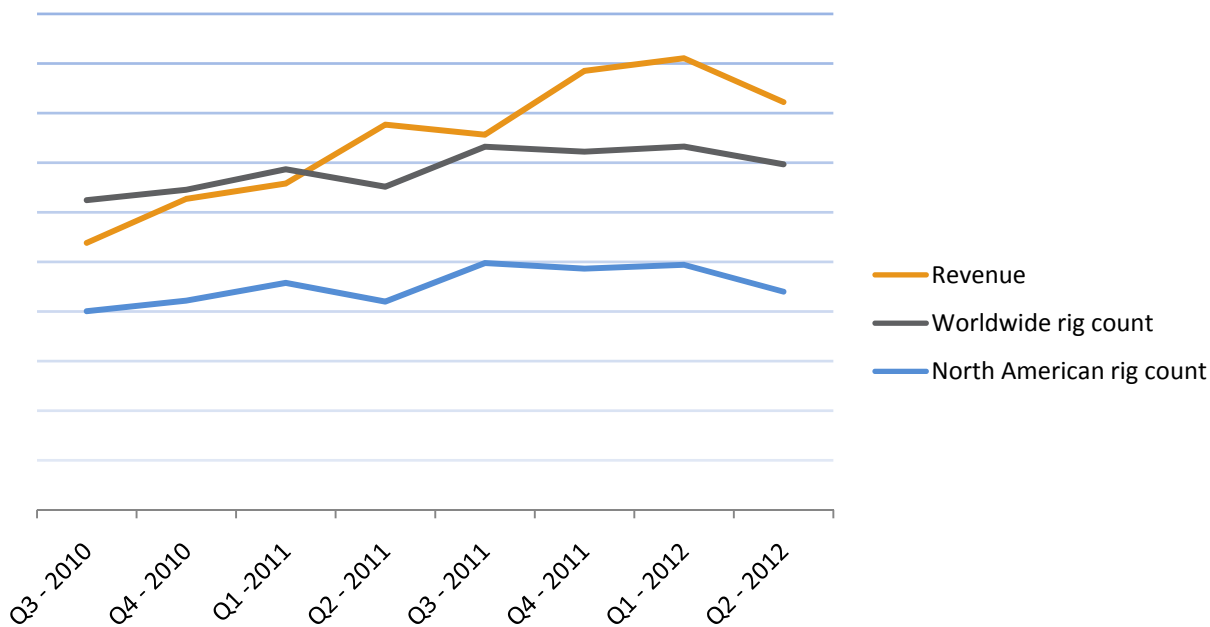
Revenue for the six months ended June 30, 2012 was \$86.6 million, an increase of \$14.9 million, or 21%, from the same period in 2011. Revenue growth was generated from increases in EP&S revenues of \$13.9 million and Mobile Solutions revenue of \$1.0 million.

We have experienced a significant increase in our work-in-process inventory balance at June 30, 2012 in both EP&S and Mobile Solutions. Revenues in the latter part of 2012 should remain strong as we realize sales on work-in-process inventory and continue to deliver on the high levels of backlog in D&C.

As the number of working rigs fluctuates in response to market fundamentals, we anticipate that demand for capital equipment will fluctuate accordingly. Geographically, market demand has varied, however international drilling activity continues to be a bright light as international sales remain strong. The international presence of the EP&S segment has positively impacted EP&S revenue. The Mobile Solutions segment, which has significant exposure to Canada and the United States, is experiencing downward pressure as service companies decrease capital budgets. Mobile Solution's efforts to penetrate the United States trailers market has positively contributed to overall revenue growth in the six month period ended June 30, 2012; however, on an overall basis the market fundamentals in the Mobile Solutions market have declined and shifted to lower margin products.

A correlation has historically existed between the Corporation's revenues and rig counts. McCoy's customers increase or decrease their spending on capital equipment in response to changes in drilling activity. Capital expenditures by our customer's increases revenue 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 revenue typically lags by approximately six months to one year.

A summary of quarterly revenues and rig counts is as follows<sup>1</sup>:



McCoy's order backlog is at near record levels for D&C. The Mobile Solutions segment has seen a decrease in backlog and if drilling activity levels drop or capital equipment spending by service companies decreases, demand for capital equipment could be further reduced.

<sup>1</sup>All references to rig counts can be accessed through Baker Hughes, Inc., [http://investor.shareholder.com/bhi/rig\\_counts/rc\\_index.cfm](http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm).

## Profitability

The following tables summarize gross profit by reportable segment:

(\$000 except percentages)

For the three months ended June 30	Gross Profit		Change in Gross Profit	
	2012	2011	\$	%
Energy Products & Services	9,311	7,150	2,161	30%
Mobile Solutions	1,647	3,872	(2,225)	(57%)
Corporate	-	-	-	-
<b>Total</b>	<b>10,958</b>	<b>11,022</b>	<b>(64)</b>	<b>(1%)</b>

(\$000 except percentages)

For the six months ended June 30	Gross Profit		Change in Gross Profit	
	2012	2011	\$	%
Energy Products & Services	17,894	13,145	4,749	36%
Mobile Solutions	4,106	6,867	(2,761)	(40%)
Corporate	-	-	-	-
<b>Total</b>	<b>22,000</b>	<b>20,012</b>	<b>1,988</b>	<b>10%</b>

Gross profit for the three months ended June 30, 2012 was \$11.0 million, which was consistent with the comparative period. An increase in gross profit in EP&S was offset by a decrease in gross profit in Mobile Solutions.

For the six months ended June 30, 2012 gross profit was \$22.0 million. This represents an increase in gross profit of \$2.0 million over the same period in 2011. The strength of the EP&S segment resulted in an increase in gross profit from the comparative period of \$4.8 million. Offsetting this was a decrease in Mobile Solutions gross profit of \$2.8 million.

The following tables summarize EBITDA and EBITDA by reportable segment:

(\$000 except percentages)

For the three months ended June 30	EBITDA		Change in EBITDA	
	2012	2011	\$	%
Energy Products & Services	5,514	4,595	919	20%
Mobile Solutions	201	2,806	(2,605)	(93%)
Corporate	(1,280)	(1,434)	154	11%
<b>Total</b>	<b>4,435</b>	<b>5,967</b>	<b>(1,532)</b>	<b>(26%)</b>

(\$000 except percentages) For the six months ended June 30	EBITDA		Change in EBITDA	
	2012	2011	\$	%
Energy Products & Services	10,927	7,772	3,155	41%
Mobile Solutions	970	4,794	(3,824)	(80%)
Corporate	(3,134)	(2,794)	(340)	(12%)
<b>Total</b>	<b>8,763</b>	<b>9,772</b>	<b>(1,009)</b>	<b>(10%)</b>

For the three month period ended June 30, 2012, EBITDA declined by \$1.5 million to \$4.4 million as compared to the prior quarter.

For the six months ended June 30, 2012, EBITDA declined by \$1.0 million to \$8.8 million from the comparative period.

In both periods, strong results in the EP&S segment were offset by declining profitability in the Mobile Solutions segment. For the six months ended June 30, 2012, on an overall basis, higher revenues contributed an additional \$2.0 million in gross profit as compared to the six months ended June 30, 2011. However, this was offset by higher general and administrative expense resulting from the Company continuing to invest in strategic hires, infrastructure and new product development to support its long-term growth initiatives and higher sales and marketing expense as the Company delivers on its commitment to expand its international presence.

## Results of Operations

### External Revenue by Operating Segment

(\$000 except percentages) For the three months ended June 30	External Revenue		Change in External Revenue	
	2012	2011	\$	%
Energy Products & Services	26,594	20,309	6,285	31%
Mobile Solutions	14,514	18,525	(4,011)	(22%)
Corporate	-	-	-	-
<b>Total</b>	<b>41,108</b>	<b>38,834</b>	<b>2,274</b>	<b>6%</b>

(\$000 except percentages) For the six months ended June 30	External Revenue		Change in External Revenue	
	2012	2011	\$	%
Energy Products & Services	52,756	38,895	13,861	36%
Mobile Solutions	33,885	32,836	1,049	3%
Corporate	-	-	-	-
<b>Total</b>	<b>86,641</b>	<b>71,731</b>	<b>14,910</b>	<b>21%</b>

### ***Energy Products & Services***

Revenue from the EP&S segment for the three months ended June 30, 2012 increased by \$6.3 million, or 31%, to \$26.6 million from \$20.3 million in the comparative period.

Revenue from the EP&S segment for the six months ended June 30, 2012 increased by \$13.9 million, or 36%, to \$52.8 million from \$38.9 million in the comparative period.

The increases in revenues in the three and six month periods ended June 30, 2012 are a result of high backlog levels and strong customer demand, particularly with international sales. In addition, investments made to start Rig Parts and improvement in the financial performance of Inotec contributed additional revenue in 2012 to the EP&S segment.

With current levels of backlog our plants remain at near capacity levels. We continue to make investments to increase throughput and new manufacturing capacity has been added at both the Farr and Superior locations in 2012. Rig Parts also secured new manufacturing space in Q2 2012 and is in the process of transitioning to the new facility.

### ***Mobile Solutions***

Revenue from the Mobile Solutions segment for the three months ended June 30, 2012 decreased by \$4.0 million, or 22%, to \$14.5 million from \$18.5 million in the comparative period. The decrease is due to a decline in market demand as pressure pumping customers decrease capital budgets. Traditionally, the pressure pumping product line is one of our most profitable products. The decline in market fundamentals has also increased competition within the heavy haul trailer market, which has put further pressure on revenue generation. Our sub-contractor relationships have allowed for additional sales channels, however, the amount of sub-contracted work we have performed has declined from the prior year.

Revenue from the Mobile Solutions segment for the six months ended June 30, 2012 increased by \$1.0 million, or 3%, to \$33.9 million from \$32.8 million in the comparative period.

The year to date increase that has been achieved reflects McCoy aggressively pursuing market share in the United States. We continue to leverage three sub-contractor relationships in the United States which has positioned Mobile Solutions well to respond proactively to fluctuations in market demand. If market fundamentals continue to decline and our backlog decreases, revenues on a year to date basis will continue to experience downward pressure.

## Gross Profit by Operating Segment

The following tables summarize gross profit and gross profit as a percentage of revenue by reportable segment:

(\$000 except percentages)

For the three months ended June 30	Gross Profit			Gross Profit %		
	2012	2011	Change	2012	2011	Change
Energy Products & Services	9,311	7,150	2,161	35%	35%	-
Mobile Solutions	1,647	3,872	(2,225)	11%	21%	(10%)
Corporate	-	-	-	-	-	-
<b>Total</b>	<b>10,958</b>	<b>11,022</b>	<b>(64)</b>	<b>27%</b>	<b>28%</b>	<b>(1%)</b>

(\$000 except percentages)

For the six months ended June 30	Gross Profit			Gross Profit %		
	2012	2011	Change	2012	2011	Change
Energy Products & Services	17,894	13,145	4,749	34%	34%	-
Mobile Solutions	4,106	6,867	(2,761)	12%	21%	(9%)
Corporate	-	-	-	-	-	-
<b>Total</b>	<b>22,000</b>	<b>20,012</b>	<b>1,988</b>	<b>25%</b>	<b>28%</b>	<b>(3%)</b>

### **Energy Products & Services**

For the three and six month periods ended June 30, 2012, the gross profit percentage was consistent. Higher revenues resulted in increases in gross profit of \$2.2 million and \$4.8 million, respectively, from the comparative period.

### **Mobile Solutions**

For the three months ended June 30, 2012, Mobile Solutions realized a 10% decrease in the gross profit percentage from the prior quarter. Lower revenues in combination with a lower gross profit percentage resulted in a decrease in gross profit of \$2.2 million.

For the six months ended June 30, 2012, Mobile Solutions realized a 9% decrease in the gross profit percentage and a decrease in gross profit of \$2.8 million from the comparative period.

Profitability in 2012 has been directly impacted by our sub-contractor relationships and by a customer who is experiencing working capital constraints. Our sub-contractor relationships were expected to generate a gross margin of approximately 15%. For the three months ended June 30, 2012 we realized a gross margin of approximately 5%. A softening marketplace combined with a steep learning curve and start-up issues contributed to this decline. We have worked through these start-up issues with our sub-contractors and anticipate an increase in gross margin throughout the remainder of 2012 on this revenue stream. In addition, one of our major customers is experiencing working capital constraints, which has impacted both the realization of a significant amount of higher margin sales and disruptions to our production scheduling, which lowered profitability. We expect to realize this higher margin revenue in the latter half of 2012 as

this inventory is sold. At the present time we don't anticipate these factors will impact our profitability in future quarters to the extent that occurred during the three months ended June 30, 2012.

From a macro level we continue to experience a shift in our product mix from higher margin product in the pressure pumping market to lower margin product in the heavy haul oil field market. The disclosed 2012 capital budgets of pressure pumping customers has resulted in 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, although this is being countered by an increase in competition.

### EBITDA by Operating Segment

The following tables summarize EBITDA and EBITDA as a percentage of revenue by reportable segment:

(\$000 except percentages)	EBITDA			EBITDA as a % of External Revenue		
	2012	2011	Change	2012	2011	Change
For the three months ended June 30						
Energy Products & Services	5,514	4,595	919	21%	23%	(2%)
Mobile Solutions	201	2,806	(2,605)	1%	15%	(14%)
Corporate	(1,280)	(1,434)	154	-	-	-
<b>Total</b>	<b>4,435</b>	<b>5,967</b>	<b>(1,532)</b>	<b>11%</b>	<b>15%</b>	<b>(4%)</b>

(\$000 except percentages)	EBITDA			EBITDA as a % of External Revenue		
	2012	2011	Change	2012	2011	Change
For the six months ended June 30						
Energy Products & Services	10,927	7,772	3,155	21%	20%	1%
Mobile Solutions	970	4,794	(3,824)	3%	15%	(12%)
Corporate	(3,134)	(2,794)	(340)	-	-	-
<b>Total</b>	<b>8,763</b>	<b>9,772</b>	<b>(1,009)</b>	<b>10%</b>	<b>14%</b>	<b>(4%)</b>

### Energy Products & Services

For the three months ended June 30, 2012, EBITDA as a percentage of revenue declined by 2% from the prior quarter. Higher general and administrative and sales and marketing expenses resulted in the decline. The Company continues to invest in strategic hires, infrastructure and new product development to support its long-term growth initiatives which are driving higher general and administrative expenses. An increase in sales and marketing expense was also realized as the Company delivers on its commitment to expand its international presence. Long term, these investments will result in increased revenue and earnings.



For the six months ended June 30, 2012, EBITDA as a percentage of revenue increased by 1%, from the comparative period. A \$13.9 million increase in revenues offset the impact of higher general and administrative and sales and marketing expenses for the segment. EBITDA increased by \$3.2 million in the period.

### **Mobile Solutions**

EBITDA as a percentage of revenue declined by 14% in the three month period ended June 30, 2012 as compared to the prior quarter. A decline in gross profit, in combination with higher general and administrative expenses, contributed to the \$2.6 million decrease in EBITDA in the quarter. General and administrative expenses have increased as a result of additional overhead required to support sub-contractor relationships, costs associated with establishing a third sub-contractor relationship and higher consulting costs.

For the six months ended June 30, 2012, EBITDA as a percentage of revenue declined by 12% from the comparative period.

### **General and Administration**

General and administration expense for the three months ended June 30, 2012 was \$5.4 million. This represents an increase of \$0.9 million, or 20%, from the comparative period. As a percentage of revenue, general and administrative expense was 13% for the three months ended June 30, 2012 as compared to 12% in the comparative period.

General and administration expense for the six months ended June 30, 2012 was \$11.2 million. This represents an increase of \$2.2 million, or 25%, from the comparative period. As a percentage of revenue general and administrative expense was 13% for the six months ended June 30, 2012, which was consistent with the prior year.

The increase in general and administration expense is attributable to our investment in repositioning the Company, including establishing a center for continued innovation in Houston, Texas, which will also serve as our D&C head office. The investment in the Houston office included expanding our team of design engineers, investing in research and development in order to support our ongoing commitment to new product development and additional overhead. Further, our branding initiatives have allowed us to attract world-class talent resulting in several strategic hires. The Corporation has also had increased costs due to its expansion of facilities in Broussard, Louisiana and getting Rig Parts established. In addition, the Mobile Solutions segment has incurred additional costs to support and develop sub-contractor relationships and had higher consulting related costs.

As we grow the Company we continue to make investments in people and infrastructure to support our long-term growth which will yield long-term returns for our stakeholders. As a percentage of revenue, our general and administration expense is consistent for the six months ending June 30, 2012 as compared to 2011. We have additional investments to make as we execute our strategy, which we anticipate will increase general and administrative expense at the same percentage of revenue in the near term. Once our strategy begins to generate returns, we anticipate that our general and administration expense will stabilize and, as a percentage of revenue, decline to more historic levels.

### **Sales and Marketing**

Sales and marketing expense for the three months ended June 30, 2012 was \$2.3 million. This represents an increase of \$0.6 million, or 37%, from the comparative period. As a percentage of revenue sales and marketing expense was 6% for the three months ended June 30, 2012 as compared to 4% in the comparative period.

Sales and marketing expense for the six months ended June 30, 2012 was \$4.3 million as compared to \$3.5 million in the comparative period, an increase of 26%. As a percentage of revenue, sales and marketing expense was 5% for the six months ended June 30, 2012, which was consistent with the prior year.

The increase in sales and marketing expense has arisen as the Company has hired additional sales persons to expand internationally, consistent with the Company's strategic initiatives. Secondly, D&C invested in the marketing of the "we" branded products now coming to market. Finally, increased sales person commissions have been recorded in 2012 in the EP&S segment as a result of increased revenues and gross profit.

### **Finance charges and income**

Finance charges and income were consistent between the three and six month periods ended June 30, 2012 and 2011. Finance charges and income remain low as the balance sheet remains strong in anticipation of future growth opportunities.

## Summary of Quarterly Results

(\$000 except per share amounts)	2012			2011			2010	
	June 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total revenue	<b>41,108</b>	45,533	44,251	37,815	38,834	32,897	31,351	26,908
Net earnings from continuing operations	<b>2,127</b>	2,154	3,659	3,010	3,222	1,802	1,972	1,799
Net earnings	<b>2,127</b>	2,154	3,809	3,010	3,284	1,821	1,861	1,945
Basic earnings per share from continuing operations	<b>0.08</b>	0.08	0.14	0.11	0.12	0.07	0.07	0.07
Basic earnings per share	<b>0.08</b>	0.08	0.14	0.11	0.12	0.07	0.07	0.07
Diluted earnings per share from continuing operations	<b>0.08</b>	0.08	0.14	0.11	0.12	0.07	0.07	0.07
Diluted earnings per share	<b>0.08</b>	0.08	0.14	0.11	0.12	0.07	0.07	0.07

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 as well as capital expenditure reductions by pressure pumps.

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 United States, 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 Inotec and PDT as well as our strategic investment in starting up Rig Parts.

Increases in rig counts have facilitated strong demand for our products which has resulted in strong revenue growth the past eight quarters, with the exception of Q2 2012. Profitability in Q2 2012 and Q1 2012 has been impacted by a reduction in Mobile Solutions profitability.

## Liquidity and Capital Resources

At June 30, 2012, the Corporation has \$17.6 million in cash and cash equivalents and access to \$9.7 million in availability under an operating line of credit facility.

Selected cash flow and capitalization information is as follows:

For the six months ended June 30 (\$000)	2012	2011
Cash (used in) generated from operating activities	(4,162)	3,837
Cash (used in) investing activities	(3,658)	(2,989)
Cash (used in) financing activities	(3,075)	(1,332)
Debt to equity ratio	0.50 to 1	0.46 to 1

Cash used in operating activities for the six months ended June 30, 2012 was \$4.2 million compared to \$3.8 million generated from the same period in 2011. The increase in cash used in operating activities was primarily the result of investments made in working capital balances. In addition, the Company had lower EBITDA and made a payment for 2011 income taxes, which were substantially higher than the prior year due to increased net earnings in 2011.

Cash flows used in investing activities for the six months ended June 30, 2012 were \$3.7 million compared to \$3.0 million in the comparative period. The increase in cash used in investing activities was a result of \$4.9 million in purchases of property, plant and equipment and intangible assets as compared to \$3.0 million in the comparative period. This was offset by the repayment of notes receivable.

Cash flows used in financing activities for the six months ended June 30, 2012 were \$3.1 million compared to \$1.3 million in the comparative period. The increase in cash used by financing activities was attributable to an increase in the Company's dividend of \$0.5 million and the repayment of a \$0.6 million term loan.

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.

## Outstanding Share Data

As at August 1, 2012 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	<b>26,510,912</b>
Convertible equity securities:	
Stock options	<b>1,498,833</b>

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
May 17, 2012	June 15, 2012	\$0.05
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 June 30, 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;
- Related party transactions – 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 positive for the remainder of 2012, although North American (U.S. and Canada) rig counts are beginning to stabilize. International demand remains strong in certain countries as many of our international customers have longer lead times and are less impacted by short term fluctuations in the price of oil, particularly those operating offshore. As rig counts stabilize, new product development initiatives become more important and our 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. Manufacturing has commenced on the torque sub (weCATT) product line and 10 units will be delivered in Q3. The iron roughneck (weTORQ85) is expected to begin field testing in Q3 and manufacturing will begin shortly thereafter. Three additional products are under development and progressing on target, including an electric bucking unit (weBUCK ), a hydraulic catwalk (weMOVE35) and a casing running tool (weRUN350 ). We expect these new higher margin products to generate \$150 million in additional cumulative revenue over the next five years.

We have undertaken many initiatives and made several strategic investments in 2012 which have had an impact on our year to date results, but for which we anticipate will yield long-term reward for all our stakeholders. We anticipate that the strength of our EP&S segment, in combination with improvements in the financial performance of Mobile Solutions, will contribute to stronger financial results in the last half of 2012. Mobile Solutions is currently facing a challenging market and further declines in demand for capital equipment could delay an improvement in the financial performance of this sector. We do not anticipate that the pressure pumping market will recover until late 2013.

We continue to expand our footprint in Houston and are in the process of securing new office space to accommodate our growing team of professionals to support the growth in the EP&S segment.

D&C is in the process of transitioning to a new ERP system and in Q3 will begin moving business units onto the new platform. This significant investment, both financially and internally, will position D&C well to realize operational efficiencies and future cost reductions.

In Q2, we completed retrofitting our Edmonton D&C plant to accommodate the production of our new “we”TORQ Torque Sub product. This facility is an award winning efficient assembly and test facility for the “we”TORQ as well as our WinCATT Torque Turn monitoring system. Production is now in effect and the results of the product and infrastructure investments will begin generating a return.

We anticipate revenue growth from Rig Parts throughout the remaining months of 2012. In Q2 Rig Parts secured manufacturing space and is in the process of transitioning to their new location. 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.

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](http://www.sedar.com).

## Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)  
(unaudited)

As at	June 30, 2012	December 31, 2011
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	17,588	29,383
Trade and other receivables	20,448	17,459
Inventories	33,191	24,421
Income tax recoverable	834	-
Current portion of notes receivable	164	592
Other current assets	191	191
	<b>72,416</b>	72,046
Notes receivable	53	833
Property, plant and equipment	23,564	20,833
Intangible assets	12,426	12,738
Other assets	431	233
Deferred tax assets	469	758
<b>Total assets</b>	<b>109,359</b>	107,441
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	27,376	25,001
Provisions	1,159	1,103
Income tax payable	442	2,871
Current portion of borrowings	452	481
Current portion of finance lease obligations	234	253
	<b>29,663</b>	29,709
Borrowings	4,429	5,232
Finance lease obligations	106	226
Deferred tax liabilities	2,439	1,905
<b>Total liabilities</b>	<b>36,637</b>	37,072
<b>Shareholders' equity</b>		
Share capital	56,155	56,152
Contributed surplus	3,866	3,579
Accumulated other comprehensive loss	(365)	(268)
Retained earnings	13,066	10,906
<b>Total shareholders' equity</b>	<b>72,722</b>	70,369
<b>Total liabilities and shareholders' equity</b>	<b>109,359</b>	107,441

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



## Condensed Consolidated Interim Statements of Earnings and Comprehensive Income

For the three and six months ended June 30, 2012 and 2011  
(in thousands of Canadian dollars, except per share amounts)  
(unaudited)

	Three months ended		Six months ended	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Revenue</b>	<b>41,108</b>	38,834	<b>86,641</b>	71,731
<b>Cost of sales</b>	<b>30,150</b>	27,812	<b>64,641</b>	51,719
<b>Gross profit</b>	<b>10,958</b>	11,022	<b>22,000</b>	20,012
General and administration	5,377	4,492	11,195	8,975
Sales and marketing	2,315	1,692	4,335	3,453
Other losses (gains) (net)	10	(47)	18	(59)
Finance charges (net)	62	40	101	106
	<b>7,764</b>	6,177	<b>15,649</b>	12,475
<b>Earnings from continuing operations before income taxes</b>	<b>3,194</b>	4,845	<b>6,351</b>	7,537
<b>Income tax expense</b>				
Current	419	1,780	1,235	2,834
Deferred	648	(157)	835	(321)
	<b>1,067</b>	1,623	<b>2,070</b>	2,513
<b>Earnings from continuing operations</b>	<b>2,127</b>	3,222	<b>4,281</b>	5,024
Earnings from discontinued operations (net of tax)	-	62	-	81
<b>Net earnings for the period</b>	<b>2,127</b>	3,284	<b>4,281</b>	5,105
<b>Other comprehensive income (loss) for the period</b>				
Translation gain (loss) of foreign operations	625	(103)	(97)	(1,233)
<b>Comprehensive income for the period</b>	<b>2,752</b>	3,181	<b>4,184</b>	3,872
<b>Earnings per share</b>				
Basic from continuing operations	0.08	0.12	0.16	0.19
Basic from discontinued operations	-	-	-	-
Basic from net earnings	0.08	0.12	0.16	0.19
Diluted from continuing operations	0.08	0.12	0.16	0.19
Diluted from discontinued operations	-	-	-	-
Diluted from net earnings	0.08	0.12	0.16	0.19

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

## Condensed Consolidated Interim Statements of Changes in Equity

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

	Issued capital		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
	Number of shares	Amount				
	#	\$	\$	\$	\$	\$
<b>Balances, December 31, 2010</b>	26,475,912	56,014	3,224	(654)	1,631	<b>60,215</b>
Net earnings	-	-	-	-	5,105	<b>5,105</b>
Translation gain (loss) on foreign operations	-	-	-	(1,233)	-	<b>(1,233)</b>
Employee share based compensation expense	-	-	217	-	-	<b>217</b>
Dividends	-	-	-	-	(1,589)	<b>(1,589)</b>
Common shares issued on exercise of stock options	30,000	92	-	-	-	<b>92</b>
<b>Balances, June 30, 2011</b>	26,505,912	56,106	3,441	(1,887)	5,147	<b>62,807</b>
Net earnings	-	-	-	-	6,819	<b>6,819</b>
Translation gain (loss) on foreign operations	-	-	-	1,619	-	<b>1,619</b>
Employee share based compensation expense	-	-	179	-	-	<b>179</b>
Dividends	-	-	-	-	(1,060)	<b>(1,060)</b>
Common shares issues on exercise of stock options	3,333	46	(41)	-	-	<b>5</b>
<b>Balances, December 31, 2011</b>	26,509,245	56,152	3,579	(268)	10,906	<b>70,369</b>
Net earnings	-	-	-	-	4,281	<b>4,281</b>
Translation gain (loss) on foreign operations	-	-	-	(97)	-	<b>(97)</b>
Employee share based compensation expense	-	-	288	-	-	<b>288</b>
Dividends	-	-	-	-	(2,121)	<b>(2,121)</b>
Common shares issues on exercise of stock options	1,667	3	(1)	-	-	<b>2</b>
<b>Balances, June 30, 2012</b>	26,510,912	56,155	3,866	(365)	13,066	<b>72,722</b>

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

## Condensed Consolidated Interim Statements of Cash Flow

For the six months ended

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

(unaudited)

	June 30, 2012	June 30, 2011
<b>Cash generated from (used in)</b>	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Earnings from continuing operations	4,281	5,024
Adjustments for:		
Amortization of property, plant and equipment	1,649	1,596
Amortization of intangible assets	662	533
Current income tax expense	1,235	2,834
Deferred tax expense	835	(321)
Finance charges (net)	101	106
<b>EBITDA<sup>(1)</sup></b>	<b>8,763</b>	<b>9,772</b>
Loss (gain) on disposal of property, plant and equipment	18	(62)
Share based compensation expense	380	300
Changes in non-cash working capital balances	(8,724)	(3,997)
Interest paid	(162)	(168)
Interest received	61	62
Income taxes paid	(4,498)	(2,811)
Net cash (used in) generated from continuing operating activities	(4,162)	3,096
Net cash generated from discontinued operating activities	-	741
<b>Net cash (used in) generated from operating activities</b>	<b>(4,162)</b>	<b>3,837</b>
<b>Investing activities</b>		
Repayment of notes receivable	1,208	129
Proceeds from sale of assets held for sale	-	327
Purchases of property, plant and equipment	(4,481)	(2,765)
Proceeds from sale of property, plant and equipment	41	26
Purchases of intangible assets	(426)	(197)
Disposal of subsidiary	-	(577)
Net cash (used in) generated from continuing operating activities	(3,658)	(3,057)
Net cash generated from discontinued operating activities	-	68
<b>Net cash used in investing activities</b>	<b>(3,658)</b>	<b>(2,989)</b>
<b>Financing activities</b>		
Repayment of finance lease obligations	(139)	(195)
Proceeds from borrowings	-	586
Repayment of borrowings	(817)	(226)
Proceeds from issuance of share capital on exercise of options	2	92
Dividends paid	(2,121)	(1,589)
<b>Net cash used in financing activities</b>	<b>(3,075)</b>	<b>(1,332)</b>
Effect of exchange rate changes on cash and cash equivalents	(900)	(156)
<b>Decrease in cash and cash equivalents</b>	<b>(11,795)</b>	<b>(640)</b>
<b>Cash and cash equivalents – beginning of the period</b>	<b>29,383</b>	<b>16,243</b>
<b>Cash and cash equivalents – end of the period</b>	<b>17,588</b>	<b>15,603</b>

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

<sup>(1)</sup> EBITDA is non-GAAP measurement defined as "earnings from continuing operations before impairment losses, interest, taxes and amortization"

## Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2012

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

### 1. NATURE OF OPERATIONS

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

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

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

Set out below are McCoy’s principal 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, 9618-42 Avenue, Edmonton, Alberta. The Corporation is listed on the Toronto Stock Exchange under the symbol MCB.

### 2. STATEMENT OF COMPLIANCE

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

These condensed consolidated interim financial statements were approved for issue on August 1, 2012.

### 3. DIVIDENDS

Dividend declared	Dividend paid	Total dividend	Amount per common share
		\$	\$
May 17, 2012	June 15, 2012	1,326	0.05
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

### 4. SEGMENTED REPORTING

For the three months ended June 30, 2012

	Total revenue	Inter-segment revenue	External revenue	Gross profit	EBITDA	Earnings (loss) from continuing operations before income taxes
	\$	\$	\$	\$	\$	\$
EP&S	26,594	-	26,594	9,311	5,514	4,533
Mobile Solutions	14,514	-	14,514	1,647	201	93
Corporate	-	-	-	-	(1,280)	(1,432)
<b>Total</b>	<b>41,108</b>	<b>-</b>	<b>41,108</b>	<b>10,958</b>	<b>4,435</b>	<b>3,194</b>

For the three months ended June 30, 2011

	Total revenue	Inter-segment revenue	External revenue	Gross profit	EBITDA	Earnings (loss) from continuing operations before income taxes
	\$	\$	\$	\$	\$	\$
EP&S	20,309	-	20,309	7,150	4,595	3,652
Mobile Solutions	18,576	(51)	18,525	3,872	2,806	2,713
Corporate	-	-	-	-	(1,434)	(1,520)
<b>Total</b>	<b>38,885</b>	<b>(51)</b>	<b>38,834</b>	<b>11,022</b>	<b>5,967</b>	<b>4,845</b>

### Reconciliation of EBITDA for the three months ended

	June 30, 2012	June 30, 2011
	\$	\$
Earnings from continuing operations	2,127	3,222
Income tax expense	1,067	1,623
Finance charges (net)	62	40
Amortization	1,179	1,082
<b>EBITDA</b>	<b>4,435</b>	<b>5,967</b>

#### 4. SEGMENTED REPORTING (CONT'D)

For the six months ended June 30, 2012

	Total revenue	Inter-segment revenue	External revenue	Gross profit	EBITDA	Earnings (loss) from continuing operations before income taxes
	\$	\$	\$	\$	\$	\$
EP&S	52,756	-	52,756	17,894	10,927	8,639
Mobile Solutions	33,885	-	33,885	4,106	970	758
Corporate	-	-	-	-	(3,134)	(3,046)
<b>Total</b>	<b>86,641</b>	<b>-</b>	<b>86,641</b>	<b>22,000</b>	<b>8,763</b>	<b>6,351</b>

For the six months ended June 30, 2011

	Total revenue	Inter-segment revenue	External revenue	Gross profit	EBITDA	Earnings (loss) from continuing operations before income taxes
	\$	\$	\$	\$	\$	\$
EP&S	38,895	-	38,895	13,145	7,772	5,917
Mobile Solutions	32,928	(92)	32,836	6,867	4,794	4,600
Corporate	-	-	-	-	(2,794)	(2,980)
<b>Total</b>	<b>71,823</b>	<b>(92)</b>	<b>71,731</b>	<b>20,012</b>	<b>9,772</b>	<b>7,537</b>

#### Reconciliation of EBITDA for the six months ended

	June 30, 2012	June 30, 2011
	\$	\$
Earnings from continuing operations	4,281	5,024
Income tax expense	2,070	2,513
Finance charges (net)	101	106
Amortization	2,311	2,129
<b>EBITDA</b>	<b>8,763</b>	<b>9,772</b>

#### 5. COMPARATIVE INFORMATION

Certain comparative figures related to deferred tax assets and liabilities have been reclassified to conform to the current year's presentation.