LETTER TO SHAREHOLDERS

McCoy's first quarter results represent our return to profitability and provides evidence that our proactive cost management through the downturn of the past year has set us on the right track. We have previously stated that we anticipate 2010 to be a bridge year for McCoy as we transition from a challenging declining market to an expanding market of opportunities for our business. This continues to be our outlook. A significant part of this transition is the expansion of our global presence, as some of our best growth prospects come from energy markets outside of North America. Over time this will provide us with more geographically balanced and diversified revenue streams.

McCoy's balance sheet strength has been a key to our ability to financially weather the challenging times in our industry while positioning McCoy for future growth. I am pleased to report that this financial strength continues. As of the end of the first quarter, McCoy had approximately $4 million of cash on hand with net debt of only $3.0 million.

In the first quarter McCoy announced a licensing agreement for the Verteco product line of innovative, casting-free, handling tools. This agreement advanced our goal of providing a complete drilling and completions equipment line. Our strategy of completing this line of equipment is in place to make McCoy a one-stop shop for equipment and tools, where clients are attracted to us for the completeness of our offering. Although we don't expect the Verteco product line to have a significant impact for McCoy until later in the second half of 2010, the agreement is indicative of the progress we are making in advancing McCoy's strategy.

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

($000)	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Total revenue	24,747	20,477	22,780	23,309	30,976
Net earnings (loss)	178	(11,236)	(779)	(1,479)	331
EBITDAS	1,575	(197)	620	(514)	2,173
Cash flow from operating activities	(407)	3,104	2,611	1,971	2,995
Cash flow from operating activities before non-cash working capital items	1,420	707	505	(733)	1,899

Revenue of $24.7 million and earnings of $178,000 for the first quarter are up from each of McCoy's past three quarters, although down compared to the first quarter of 2009. We believe the results are the beginning of a trend towards improving results and growth, however we will still exercise caution in our growth plans in order to achieve the most stable long-term growth.

McCoy's order backlog has increased and reflects an improvement in oil and gas rig activity during the first portion of 2010. Capital goods orders for Drilling & Completions equipment, such as power tongs, typically lag the immediate increase in drilling rig activity and this cycle is no exception. One year ago, orders for this category of capital equipment were thin and on a decline. Today, we are experiencing a backlog build up and anticipate the revenue pipeline for Drilling & Completions equipment to recover. While a low natural gas pricing environment will not see activity levels return to the levels of 2007 and 2008, the build up of pressure pumping fleets to support increased fracturing activity and generally stronger U.S. and international drilling activity relative to last year, make us cautiously optimistic that our order book will continue to grow.

McCoy's Strengthening Brand

As announced in March, McCoy took the important step during the first quarter to announce a strategic consolidation of the company's corporate brands. This step moves McCoy to a point where customers can recognize the brand and know that they can count on McCoy for a wide range of energy products and services around the world.

As part of our brand consolidation, McCoy reduced its corporate structure to two defined segments – Energy Products & Services and Mobile Solutions, each operating with multiple divisions. Both segments, and McCoy's team as a whole, is proud to be focused on moving global energy forward.

Jim Rakievich
President & Chief Executive Officer
May 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This interim Management's Discussion and Analysis ("MD&A"), dated May 12, 2010, should be read in conjunction with the unaudited interim consolidated financial statements and notes for McCoy Corporation ("the Company" or "McCoy") for the three months ended March 31, 2010 and 2009; the annual audited 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.

McCoy has simplified the structure of its business and is now presenting itself under two segments going forward; Energy Products & Services and Mobile Solutions as illustrated in the following chart:

Energy Products & Services (EP&S) consolidates McCoy's competencies in Drilling & Completions, Coatings & Hydraulics and Vac & Hydrovac services.

Mobile Solutions includes Trailers and the Parts & Service businesses.

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 Rebel in the second quarter of 2005, Inotec during the third quarter of 2006, Superior and PDT during the third quarter of 2007 and RP during the first quarter of 2009.

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

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

b) the 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 all 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 now aggressively 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.
We are the market leader in the design and manufacture of custom heavy-duty trailers used in fracturing and workover operations worldwide, 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 March 31

($000 except per share amounts)	2010 $	2009 $	2008 $
Total revenue	24,747	30,976	35,942
Net earnings for the period	178	331	1,800
Basic (loss) earnings per share	0.01	0.01	0.06
Diluted (loss) earnings per share	0.01	0.01	0.06
EBITDAS(1)	1,575	2,173	4,040
EBITDAS(1) per share	0.06	0.08	0.15
Cash flow from operating activities	(407)	2,995	(1,252)
Cash flow from operating activities per share	(0.02)	0.11	(0.05)
Total Assets	74,073	96,298	113,815
Total Liabilities	21,803	27,326	36,536
Total Long-term Liabilities	8,162	9,896	13,535

McCoy's 2010 first quarter financial results reflect the beginning of 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 improved in the first quarter of 2010 when compared to the previous three quarters in 2009. Total revenue has increased by 21% for the first quarter of 2010 compared to the fourth quarter of 2009 which is ahead of the increase in the worldwide rig count of 15% from December 2009 to March 2010.[1] McCoy's order backlog has begun to increase to reflect the increase in the rig activity; however, McCoy is viewing the recovery cautiously to ensure the revitalization is sustained.

McCoy's Board of Directors declared a quarterly dividend of $0.01 per common share on September 30, 2009, which was paid on October 15, 2009; declared and paid a quarterly dividend of $0.01 per common share on June 30 and March 31, 2009 and $0.03 per common share on December 31, 2008. A dividend was not declared during the first quarter 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.

(1) EBITDAS

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

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

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 is 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 an exclusive measure of cash flow since it does 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 March 31:

	2010	**2009**	**2008**
($000)	**$**	**$**	**$**
Net earnings for the period	178	331	1,800
Income taxes	61	241	814
Interest on debt	63	210	240
Amortization	1,141	1,235	1,034
EBITDA	**1,443**	**2,017**	**3,888**
Stock-based compensation	132	156	152
EBITDAS	**1,575**	**2,173**	**4,040**

Results of Operations

Sales by Operating Segment – Three Months Ended March 31

($000 except percentages)	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
2010 sales	16,517	10,484	(2,254)	24,747
2009 sales	23,017	9,427	(1,468)	30,976
Annual Percentage (Decrease) Increase	(28%)	11%		(20%)

Revenue for the EP&S segment decreased by 28% or $6,499,628 to $16,517,302 in 2010 from sales of $23,016,930 in the first quarter of 2009 due to reduced global drilling equipment and down-hole tool markets in these comparative quarters. Signs of recovery in the markets have been noted as revenues for EP&S have increased by $1,595,358, or 11%, from the fourth quarter of 2009 and worldwide rig counts have increased to 2,879 as at March 2010 compared to 2,313 as at March 2009.[2] 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. This is evidenced by the maintenance of sales outside of North America in first quarter of 2010 of $9,638,173 (39% of total revenues) compared to $9,686,930 (31% of total revenues) of sales outside of North America in the same period of 2009. As the number of rigs working internationally and in North America increase, McCoy expects that demand for capital equipment will improve which will be positive for both the EP&S and Mobile Solution segments. While rig counts have increased substantially over the last few months they remain well below 2008 peak levels; and, while McCoy is seeing order activity increasing in some areas, the recovery is still uneven. 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 drop in North American natural gas prices in the first quarter 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.

The Mobile Solutions segment experienced an increase in revenue of $1,056,192, from $9,427,362 in the first quarter of 2009 to $10,483,554 for the same period in 2010. The increase was primarily due to a 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

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

these regional customers for the remainder of the year although WCSB patch activity has been steadily increasing over the winter.

McCoy Trailers has been successful in generating revenue above forecast for the quarter and has improved gross margins through efficiencies gained during the market downturn.

The custom drilling, well stimulation and servicing trailer market has continued to build strength both domestically and internationally. Domestic players looking to increase fracturing horsepower have placed multiple unit orders for chassis. McCoy Trailers has developed and delivered several models of well stimulation chassis for the shale gas plays in Australia and continues to build market presence in this region. We are the market leader in the custom chassis market in Western Canada.

Domestic oilfield trailer demand is starting to gain strength as a result of the slow and steady consumption of surplus trailer inventory available in the market. The wind turbine tower transport trailer combination is continuing with road trials which are expected to be completed during the second quarter of 2010. McCoy will benefit from the wind energy market in the future as the demand for green power gains momentum in North America. McCoy Trailers is now operating at about 50% capacity with the largest order backlog in over fifteen months.

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 in November 2009, resulting in ongoing annual cost savings of approximately $340,000 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.

Gross Profit by Operating Segment – Three Months Ended March 31

($000 except percentages)	**Energy Products & Services** $	**Mobile Solutions** $	**Total** $
2010 Gross Profit	7,462	3,009	10,471
% of Sales	45%	29%	42%
2009 Gross Profit	10,506	2,210	12,716
% of Sales	46%	23%	41%
Annual Percentage (Decrease) Increase	(1%)	6%	1%

Consolidated gross profit percentage has improved to 42% for the first quarter of 2010 compared to 41% in the same period of 2009. This improvement is a result of McCoy's continued monitoring and reduction of overhead costs where possible to ensure protection of the gross profit.

EP&S decreased gross profit by 29% or $3,044,322, from $10,505,800 for the first quarter of 2009 to $7,461,478 for the same period of 2010. The decrease is tied directly to the decrease in sales for the year. 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 $799,398 or 36%, from $2,209,860 for the first quarter of 2009 to $3,009,258 for the same period of 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 the production facilities during the third quarter of 2009. In addition, the team in Penticton has done an outstanding job of improving productivity in the plant and this has a strong 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 50% of its capacity.

Salaries & Commissions

Salaries and commissions decreased $1,596,035 or 24% for the first quarter of 2010 to $5,192,998, compared to $6,789,033 in the same period of 2009. Most of the decrease is attributable to a lower average headcount of approximately 12% for the quarter ended March 31, 2010 compared to the same period in 2009. Included in salaries in the first quarter of 2009 is severance of approximately $350,000 compared to $11,500 for the first quarter of 2010.

Operations

Operations expenses were $2,765,074 in the first quarter of 2010 compared to $3,246,304 for the same period in 2009 representing a decrease of $481,230 or 15%. This decrease is in correlation with the decrease of revenues for the first quarter of 2010 compared to the first quarter of 2009 as operations expenses such as utilities and maintenance are dependent on equipment and plant usage, which are driven by revenues.

EP&S will continue to show an improvement in operations expense due to ongoing cost control, operations cost reductions and as a result of the integration of RP's manufacturing activities to Superior in order to take advantage of operating efficiencies at the Superior facility.

The Mobile Solutions segment will show significant decreases in operations expense as the Edmonton facility has been subleased, which will have an annual savings of approximately $340,000. 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 be able to reduce their operations expense by approximately $400,000 on an annual basis once the Peerless Edmonton facility is subleased. McCoy expects to see the benefits of this strategic decision in 2010.

Excluding the impact of potential acquisitions, operations expense is 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 $1,141,029 in the first quarter of 2010 represents a $94,069 or 8% decrease from amortization expense of $1,235,098 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 for growth capital until the markets begin to show a recovery. For the first quarter of 2010, there were capital additions of $453,543 of equipment and intangible assets compared to $976,833 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 $63,142 in the first quarter of 2010 represents a $146,484 or 70% decrease from interest expense of $209,626 for the same period in 2009. This is due to the fact that during the first quarter of 2010 McCoy was able to refinance the 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 decreased by $42,322 or 12% in the first quarter of 2010 to $305,720 from $348,042 for the same period in 2009. The decrease relates to less travel experienced by McCoy during the period compared to 2009 because of the lower activity for the first quarter of 2010 than in the first quarter of 2009. 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 $29,482 from $504,007 for the first quarter of 2009 to $474,525 for the same period in 2010, or 6%. This decrease is a direct result of McCoy's efforts to trim non-essential costs. This trend is expected to continue in 2010.

Foreign Exchange

As a result of the strengthening of the Canadian dollar against the U.S. dollar during the first quarter of 2010, McCoy incurred a foreign exchange loss in the amount of $100,143, compared to a gain of $345,118 for the comparative period in 2009. The quarterly loss is the net effect of exchange rate fluctuations on the translation of foreign currency balances to Canadian dollar balances as at March 31, 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, and 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 $132,283 for the first quarter of 2010 represents a 15% or $24,060 decrease from $156,343 for the same period in the prior year. This decrease is in line with the amortization of the stock-based compensation. 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)

($000 except per share amounts)	**2010**	**2009**				**2008**		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
	$	$	$	$	$	$	$	$
Total revenue	24,747	20,477	22,780	23,309	30,976	41,235	47,017	44,201
Net earnings (loss) before goodwill and intangibles impairment	178	(112)	(779)	(1,479)	331	1,840	1,909	2,798
Goodwill and intangibles impairment, net of tax	-	(11,124)	-	-	-	(13,900)	-	-
Net earnings (loss)	178	(11,236)	(779)	(1,479)	331	(12,060)	1,909	2,798
Basic earnings (loss) per share	0.01	(0.42)	(0.03)	(0.06)	0.01	(0.44)	0.07	0.11
Diluted earnings (loss) per share	0.01	(0.42)	(0.03)	(0.06)	0.01	(0.44)	0.07	0.11

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

Liquidity and Capital Resources

Three Months Ended March 31

($000)	**2010** **$**	**2009** **$**	**2008** **$**
Cash (used in) provided by operating activities	(407)	2,995	(1,252)
Cash provided by (used in) financing activities	40	(1,232)	(2,703)
Cash used in investing activities	(436)	(2,331)	(307)
Foreign exchange (loss) gain on cash held in foreign currency	(66)	114	23
Decrease in cash	**(869)**	**(454)**	**(4,239)**

Cash flow provided by operating activities for the three months ended March 31, 2010 decreased by $3,401,467 or 114% compared to the same period in 2009. Most of this decrease related to the decrease in the change in non-cash working capital components of approximately $2.9 million. The first quarter is usually a period where working capital increases and there is a drain on cash to fund increases in accounts receivable and inventory. However, in 2009, the Company had employed measures to reduce inventory in the quarter and that boosted the cash from operations in the first quarter of 2009. The first quarter of 2010 is more indicative of first quarters of the past. The rest of the decrease is attributable to lower net income in the first quarter of 2010 as compared to the same period in 2009.

Cash provided by financing activities increased by $1,272,700 or 103% for the first quarter of 2010 compared to the same period of 2009 as McCoy received additional funds as a result of the timing of the refinancing of the debt. The refinancing of the debt also led to lower payments on the loans. McCoy has not declared or paid any dividends during the first quarter of 2010 as the Board felt that it is prudent to conserve cash given the current uncertainty of the economy. Comparatively, in 2009, $264,759 of dividends were declared and paid. McCoy has approved capital expenditures for 2010 in the amount of $2,906,197. The nature and purpose of these expenditures is mostly equipment purchases. The expected source of funds is operating cash flows. McCoy also had cash on hand at March 31, 2010 of $4,001,795 and $10,000,000 is available under the Canadian credit facility. As at March 31, 2010, based on the levels of accounts receivable and inventories used to calculate the available credit, McCoy has access to $6.9 million of the Canadian credit facility. McCoy also has U.S. $1,800,000 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 three months ended March 31, 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

March 31, 2010	December 31, 2009	March 31, 2009
0.42 to 1	0.40 to 1	0.40 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 March 31, 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 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 the 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 the 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 $100,143 of foreign exchange losses (2009 – gain of $345,118).

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 $70,500 (2009 – $52,000) 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 the 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 $282,708 (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 three-month periods ended March 31, 2010 and 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:

	March 31, 2010		**December 31, 2009**	
($000 except percentages)	**$**	***%***	**$**	***%***
0 to 30 days (current)	8,502	*67*	6,010	*64*
31 to 60 days	2,589	*20*	1,888	*20*
61 to 120 days	967	*8*	1,105	*12*
Over 120 days	456	*4*	432	*4*
Sub-total accounts receivable	12,514	*99*	9,435	*100*
Less: Allowance for doubtful accounts	(283)	*(2)*	*(297)*	*(3)*
Trade receivables	12,231	*97*	9,138	*97*
Other receivables	405	*3*	314	*3*
Total accounts receivable	12,636	*100*	9,452	*100*

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the funding through an adequate amount of committed credit lines. Cash on hand at the period end was $4,001,795 and $10,000,000 is available under the

Canadian credit facility. As at March 31, 2010, based on the levels of accounts receivable and inventories used to calculate the available credit, McCoy had access to $6.9 million of the line. McCoy also has U.S. $1,800,000 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.

	March 31 , 2010		December 31, 2009	
	Trade and other payables	**Finance debt**	**Trade and other payables**	**Finance debt**
($000)	**$**	**$**	**$**	**$**
Within one year	12,713	824	11,915	1,250
1 to 5 years	-	6,213	-	5,767
	12,713	7,037	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 March 31, 2010 and March 31, 2009.

Capital Management

McCoy's objectives when managing its capital are to safeguard the 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:

	March 31, 2010	December 31, 2009
($000 except ratios)	$	$
Current portion of long-term debt	452	844
Current portion of obligations under capital lease	372	406
Long-term debt	5,448	4,917
Obligations under capital lease	765	850
Total funded debt	7,037	7,017
Normalized rolling four-quarter EBITDA	1,833	2,407
Funded debt to EBITDA	3.84	2.92

The change in the funded debt to EBITDA was mainly due to the low EBITDA included in the rolling four quarter EBITDA for the period ended March 31, 2010. EBITDA for the second quarter to the fourth quarter of 2009 was a loss of $286,637. This ratio is projected to improve to better than the 2.50 required as at June 30, 2010.

McCoy's lending requirements as at March 31, 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 4.00:1 or better as of March 31, 2010 and of 2.50:1 or better as at June 30, 2010 and thereafter; 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 effective with the June 30, 2010 second quarter results; and
- Starting 2011, a payment to a maximum of $250,000 per year is required if EBITDAS is less than $5,000,000 per year.

At March 31, 2010, McCoy was in compliance with all of its obligations under these ratios.

Inventories

($000)	March 31, 2010	December 31, 2009
Raw materials	3,452	3,238
Work-in-progress	4,921	4,028
Finished goods	9,648	10,846
Trucks	359	528
	18,380	18,640

During the three months ended March 31, 2010, cost of sales was $14,276,342 (2009 – $18,260,750), which included $13,263,250 (2009 – $17,177,219) of costs associated with inventory, $740,749 of inventory adjustments (2009 –$546,512) and $272,343 (2009 – $537,019) 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	24,888	2,685	3,197	2,640	2,409	2,405	11,552
Obligations under capital leases	1,137	297	368	249	184	33	6
Long-term debt	5,900	339	453	452	453	452	3,751
Total	31,925	3,321	4,018	3,341	3,046	2,890	15,309

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 $25,899 is included in income during the first three months of 2010 (2009 – $25,900).

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 the McCoy.

Outstanding Share Data

As at May 12, 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 will focus 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.

Methods to track specific information necessary to compile a reconciliation between the December 31, 2010 Balance Sheet and the January 1, 2011 Statement of Financial Position, under IFRS, are being evaluated. McCoy sees value in maintaining parallel sets of information under both sets of standards for fiscal 2010 when compared to the alternative method of retrospectively adjusting figures under GAAP to IFRS.

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

For major maintenance, IFRS allows for major inspections and overhauls to be accounted for as a separate component of PP&E if the component is used longer than one period. This treatment is only intended for use for major expenditures that occur at regular intervals over the life of the asset as costs of routine repairs and maintenance will continue to be expensed as incurred. McCoy is in the process of identifying any instances of major repairs or overhauls that occur at regular intervals and extend beyond one period.

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.

Project plan for 2010

At this time, McCoy can not quantify the impact of IFRS to its financial statements. McCoy has finalized and will 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 maintain parallel sets of information to track IFRS adjustments throughout 2010 as well as implementing 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 either IFRS or, for certain public companies, U.S. GAAP, as permitted by Canadian securities regulations. As such, adoption of these early standards by McCoy is not expected unless they are early adopted. 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 three-month period ended March 31, 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

For 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 costs with lower revenues and earnings.

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, distributors and sales agents.

McCoy's continued application of "lean manufacturing" processes was a major success factor in 2009 and will continue 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 while maintaining 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 first quarter results. Onetime 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 early 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 recover. Continued order backlog growth is dependent upon a sustained recovery in global drilling activity. McCoy is a global market leader in the 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 have been moved to the Lafayette plant in order to utilize the 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.

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 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 already seen signs of modest recovery in almost all of the Company's business units in early 2010. McCoy Trailers is now operating at about 50% plant capacity with the largest order backlog in over fifteen 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 better bottom line impact 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 enters 2010 with a strong balance sheet and cost reduced operations. McCoy's management team and employees are definitely 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 March 31, 2010 and December 31, 2009

		March 31 2010		December 31 2009
ASSETS		(unaudited)		(audited)
Current assets:				
Cash	$	4,001,795	$	4,871,278
Accounts receivable		12,636,295		9,452,325
Income taxes recoverable		4,368,509		4,761,674
Inventories		18,379,983		18,639,987
Current portion of note receivable		39,007		40,358
Future income tax asset		1,665,535		1,542,579
Prepaid expenses and deposits		670,761		791,886
		41,761,885		40,100,087
Note receivable		140,417		155,372
Property, plant and equipment		19,470,389		20,182,423
Intangibles		12,700,657		12,894,664
`	$	74,073,348	$	73,332,546
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$	12,713,178	$	11,915,194
Current portion of long-term debt		452,496		844,080
Current portion of obligations under capital lease		371,805		406,220
Current portion of deferred gain		103,597		103,597
		13,641,076		13,269,091
Long-term debt		5,447,504		4,917,420
Obligations under capital lease		765,302		849,672
Future income tax liabilities		1,250,158		1,189,339
Deferred gain		699,431		725,330
		21,803,471		20,950,852
Shareholders' equity				
Share capital (note 4(b))		56,013,787		56,013,787
Contributed surplus (note 4 (e))		3,105,400		2,985,622
Accumulated other comprehensive (loss) income		(388,287)		21,312
Deficit		(6,461,023)		(6,639,027)
		52,269,877		52,381,694
	$	74,073,348	$	73,332,546

Interim Consolidated Statement of Deficit

For the Three Months Ended March 31, 2010 and 2009

		March 31, 2010		March 31, 2009
		(unaudited)		(unaudited)
Balance – Beginning of period	$	(6,639,027)	$	7,318,337
Dividends paid		-		(264,759)
Net earnings for the period		178,004		330,952
Balance – End of period	$	(6,461,023)	$	7,384,530

Interim Consolidated Statement of Operations
For the Three Months Ended March 31, 2010 and 2009

	March 31, 2010 (unaudited)	March 31, 2009 (unaudited)
REVENUE		
Sales	$ 24,747,078	$ 30,976,410
Cost of sales	14,276,342	18,260,750
Gross profit	10,470,736	12,715,660
EXPENSES		
Salaries and commissions	5,192,998	6,789,033
Operations	2,765,074	3,246,304
Amortization	1,141,029	1,235,098
Selling	305,720	348,042
Corporate services	474,525	504,007
Interest on debt	63,142	209,626
Stock based compensation	132,283	156,343
Loss (gain) on foreign exchange	100,143	(345,118)
Loss on disposal of property, plant and equipment	57,102	-
	10,232,016	12,143,335
Earnings before income taxes	238,720	572,325
Income taxes - current	122,853	153,572
- future	(62,137)	87,801
	60,716	241,373
Net earnings for the period	$ 178,004	$ 330,952
Basic and diluted earnings per share	$ 0.01	$ 0.01
Weighted Average Number of Shares		
Basic	26,475,912	26,475,912
Diluted	26,476,121	26,475,912

Interim Consolidated Statement of Other Comprehensive Loss

For the Three Months Ended March 31, 2010 and 2009

	March 31, 2010 (unaudited)	March 31, 2009 (unaudited)
Net income	$ 178,004	$ 330,952
Unrealized (loss) income on translation of self sustaining foreign operations	(409,599)	599,041
Comprehensive (loss) income	$ (231,595)	$ 929,993

Interim Consolidated Statement of Accumulated Other Comprehensive Loss

For the Three Months Ended March 31, 2010 and 2009

	March 31, 2010 (unaudited)	March 31, 2009 (unaudited)
Balance – Beginning of period	$ 21,312	$ 2,165,139
Other comprehensive (loss) income	(409,599)	599,041
Balance – End of period	$ (388,287)	$ 2,764,180

Consolidated Statement of Cash Flows

For the Three Months Ended March 31, 2010 and 2009

	March 31, 2010	March 31, 2009
	(unaudited)	(unaudited)
Cash provided by (used in)		
Operating activities:		
Net earnings for the period	$ 178,004	$ 330,952
Items not affecting cash		
Amortization	1,141,029	1,235,098
Amortization of deferred gain	(25,899)	(25,900)
Amortization of inventory fair value	-	114,858
Stock based compensation	132,283	156,343
Future income taxes	(62,137)	87,801
Loss on disposal of property, plant and equipment	57,102	-
Cash flow from operations before the following:	1,420,382	1,899,152
Net change in non-cash working capital items	(1,827,254)	1,095,443
	(406,872)	2,994,595
Financing activities:		
Repayment of obligations under capital lease	(98,243)	(310,941)
Repayment of long-term debt	(5,761,500)	(656,743)
Proceeds from long-term debt	5,900,000	-
Dividends paid	-	(264,759)
	40,257	(1,232,443)
Investing activities:		
Repayment of note receivable	10,041	6,673
Purchase of intangibles	(54,603)	-
Purchase of property, plant and equipment	(398,940)	(976,833)
Proceeds from disposal of property, plant and equipment	6,912	39,131
Business acquisition costs	-	(1,399,530)
	(436,590)	(2,330,559)
Foreign exchange (loss) gain on cash held in foreign currency	(66,278)	114,534
Decrease in cash	(869,483)	(453,873)
Cash - Beginning of period	4,871,278	4,449,866
Cash - End of period	$ 4,001,795	$ 3,995,993

Supplementary information (note 6)

McCoy
Interim Notes to Unaudited Consolidated Financial Statements
For the Three Months Ended March 31, 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 the same as those 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 either IFRS or, for certain public companies, U.S. GAAP, as permitted by Canadian securities regulations. As such, adoption of these early standards by McCoy is not expected unless they are early adopted. 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 March 31, 2010 (unaudited)

	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
Sales by segment				
Total external sales	15,151,834	9,595,244	-	24,747,078
Total inter-segment sales	1,365,468	888,310	(2,253,778)	-
Cost of sales	9,055,824	7,474,296	(2,253,778)	14,276,342
Gross profit	7,461,478	3,009,258		10,470,736
Amortization	750,783	390,246		1,141,029
Other expenses	5,263,691	2,517,353		7,781,044
	6,014,474	2,907,599		8,922,073
Earnings before interest, income taxes and corporate charges	1,447,004	101,659		1,548,663
Corporate charges	415,600	831,201		1,246,801
Earnings (loss) before income taxes and interest	1,031,404	(729,542)		301,862
Interest on debt	45,271	17,871		63,142
Earnings (loss) before income taxes	986,133	(747,413)		238,720
Income taxes (recovery)	250,813	(190,097)		60,716
Earnings (loss) for the period	735,320	(557,316)		178,004
Total identifiable assets	53,108,793	20,964,555		74,073,348
Additions to property, plant & equipment	387,629	11,311		398,940
Additions to goodwill	-	-		-

Three Months Ended March 31, 2009 (unaudited)

	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
Sales by segment				
Total external sales	22,226,653	8,749,757	-	30,976,410
Total inter-segment sales	790,277	677,605	(1,467,882)	-
Cost of sales	12,511,130	7,217,502	(1,467,882)	18,260,750
Gross profit	10,505,800	2,209,860		12,715,660
Amortization	807,504	427,594		1,235,098
Other expenses	6,401,063	2,968,794		9,369,857
	7,208,567	3,396,388		10,604,955
Earnings (loss) before interest, income taxes and corporate charges	3,297,233	(1,186,528)		2,110,705
Corporate charges	442,918	885,836		1,328,754
Earnings (loss) before income taxes and interest	2,854,315	(2,072,364)		781,951
Interest on debt	130,305	79,321		209,626
Earnings (loss) before income taxes	2,724,010	(2,151,685)		572,325
Income taxes (recovery)	1,148,827	(907,454)		241,373
Earnings (loss) for the period	1,575,183	(1,244,231)		330,952
Total identifiable assets	59,859,396	36,438,688		96,298,084
Additions to property, plant & equipment	775,389	201,444		976,833
Additions to goodwill	752,357	-		752,357

Geographic information

	Three months ended March 31, 2010		Three months ended March 31, 2009	
	Revenue	Property, plant and equipment and goodwill	Revenue	Property, plant and equipment and goodwill
	$	$	$	$
Canada	8,552,673	16,607,076	14,621,481	26,321,184
U.S.	6,556,232	2,863,313	6,667,999	8,556,937
Other countries	9,638,173	-	9,686,930	-
	24,747,078	19,470,389	30,976,410	34,878,121

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

	Three months ended March 31, 2010	
	Common shares	Amount
	#	$
Balance – Beginning and end of period	26,475,912	56,013,787

c. *Options*

The following reflects activity under the stock option plan from December 31, 2009 through March 31, 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)	2.32
Granted	730,000	1.41
Outstanding – March 31, 2010	1,345,000	3.43

The following options are outstanding as at March 31, 2010:

Options outstanding	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable**
#	**(years)**	**$**	**#**
735,000	4.85	1.46	101,666
90,000	2.92	3.07	59,999
265,000	1.98	5.57	196,665
255,000	1.17	7.01	255,000
1,345,000	3.46	3.43	613,330

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 three-months ended March 31:

	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 $119,778 (2009 – $164,129) with a corresponding credit to contributed surplus

d. Stock-based compensation expense

Total stock-based compensation for the three-months ended March 31, was as follows:

	2010 $	2009 $
Stock options	119,778	164,129
Cancelled unvested stock options	-	(7,786)
Deferred share units	12,505	-
	132,283	156,343

e. Contributed surplus

The following is a summary of activity during the three-months ended March 31, 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	119,778	400,045
Cancellation of unvested stock options	-	(67,844)
Contributed surplus – End of period	3,105,400	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 three months ended March 31, 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 March 31, 2010 and 2009:

	2010			2009		
	Earnings (numerator) **$**	**Shares** (denominator) **#**	**Per share amount $**	**Earnings** (numerator) **$**	**Shares** (denominator) **#**	**Per share amount $**
Basic earnings per share						
Earnings available to common shareholders	178,004	26,475,912	0.01	330,952	26,475,912	0.01
Diluted earnings per share						
Dilutive effect of options		209			-	
Earnings available to common shareholders	178,004	26,476,121	0.01	330,952	26,475,912	0.01

6. Supplementary cash flow information

	Three-months ended March 31, 2010 $	**Three-months ended March 31, 2009 $**
Income taxes received	273,905	-
Income taxes paid	-	789,365
Interest paid	63,142	209,626