

**McCoy Corporation
Third Quarter 2010 Results Conference Call
November 4, 2010**

Operator: Good morning, ladies and gentlemen. Welcome to McCoy's Third Quarter 2010 Results Conference Call. At this time, all participants are in a listen-only mode. Following the presentation we will conduct a question-and-answer session. At that time, participants are asked to press star, one to register for a question. For assistance during the call, please press star, zero on your touchtone phone. As a reminder, this conference is being recorded today, Thursday, November 4, 2010.

It is now my pleasure to introduce DeAnn McNally, Manager of Corporate Affairs for McCoy. Please go ahead, Ms. McNally.

DeAnn McNally: Good morning everybody and welcome to McCoy's third quarter results conference call.

Representing McCoy today we have Jim Rakievich, our Chief Executive Officer; and Milica Stolic, Chief Financial Officer. We will begin with some of Jim's remarks about the last quarter and our overall strategy. Following that, Milica will comment on the financial results. We will end with a question and answer session.

Please be advised that statements made on this call, other than statements of historical fact, may contain forward-looking information. I refer you to the forward-looking information statements disclaimer included in today's release of McCoy's 2010 Third Quarter Results. This disclaimer also applies to, and expressly qualifies, any forward-looking information disclosed in today's call.

Any dollar amounts mentioned on this call are in Canadian dollars unless otherwise noted.

I will now introduce Jim Rakievich. Please go ahead, Jim.

Jim Rakievich: Thank you DeAnn and good morning everybody. We had a pretty good third quarter at McCoy. Our financial results continued to strengthen due to increased international and domestic sales, as well as internal efficiencies and cost controls that have had a meaningful bottom line impact.

We finished the quarter with a net cash position of more than \$5 million compared to a net debt position of just over \$1 million three months earlier. We had net earnings of almost \$2 million for the quarter and EBITDAS of \$4.4 million.

These results mean that we have many options available in terms of funding new product development or acquisitions.

During the third quarter, sales for McCoy Trailers were strong and the sales backlog continues to grow. The backlog is primarily in the custom drilling and the well stimulation trailer markets, both domestically and internationally. This strength is a result of the demand for more pressure pumping capacity to support horizontal drilling and multi-stage fracturing. McCoy is the market leader for these custom chassis products in Canada.

McCoy Drilling and Completions revenue was also strong in Q3. This was due to the increased spending in global drilling equipment, as well as increased rig counts over the last year. We are seeing quoting and order activities increase as the revenue pipeline for drilling and completions equipment continues to recover.

We have made great inroads on building McCoy's sales and business outside of our traditional markets of Canada and the United States. This is emphasized by sales delivered to 34 countries during the third quarter. International sales, from outside of North America, climbed to almost \$9 million during the third quarter, up 50 percent when compared to the same quarter a year earlier.

Over recent months I have visited many of McCoy's international customers, partners and operations. In particular, I've been to Brazil and I am encouraged by what I see in terms of energy industry activity and longer term growth prospects in Latin America.

With three quarters of 2010 done and reported on, we will end this year and head into the next in a more confident position. Our team has worked hard to navigate the economic downturn of 2009 and we are refocused on our growth strategy.

McCoy's executive and board are now more proactive in our growth initiatives than we were able to be 12 months ago. Strategically, we are focused on continuing to build a comprehensive line of drilling and completions equipment while increasing our sales outside North America.

When it comes to building the drilling and completions equipment line, we are active on two fronts. First, conducting our own product development and engineering of new equipment, and second, evaluating potential deals with external parties that could fill in some of our product gaps.

We still have a significant ways to go in terms of filling in all the products we would like to offer; however, we are now in a better position to make the necessary investments.

One of the investments we recently made was attracting and hiring Ron Roling as our new Vice President, Sales and Marketing for the Drilling and Completions division. Ron will be based out of Houston, Texas, which is an important hub for the global energy industry. Ron has more than 25 years of direct industry experience in global markets and significant drilling and completions product knowledge. He will play an integral role in achieving McCoy's goals for our Drilling and Completions division.

Filling this position within the drilling and completions division rounds out an excellent, experienced team from production to engineering to sales and marketing.

I'm now going to turn over the call to Milica Stolic for a brief overview of our third quarter 2010 financials.

Milica Stolic: Thank you, Jim, and good morning. The recovery that began to take hold for McCoy close to a year ago has continued in the third quarter of 2010. Revenue of \$33.2 million was 46 percent higher than the same quarter of 2009.

Net earnings of \$1.9 million for the third quarter also show an upward trend when compared to net earnings of \$1.1 million for the previous quarter and a loss of \$0.8 million in the same quarter last year. Our net earnings for the third quarter came out to 7 cents per share, which is 3 cents higher than what we reported in the second quarter of 2010.

Although our third quarter results compare favourably to quarterly results over the past year and a half, we have yet to return to the kind of results McCoy was reporting three years ago when North American rig counts were much higher.

Revenue for the Energy Products & Services segment increased by 37 percent from a year earlier to \$21.9 million in the third quarter of 2010, due to continued strengthening of global drilling equipment and down-hole tool markets.

International drilling activity was stable in 2009 and continues to be that way in 2010. As a result we are continuing to grow our global sales, as evidenced by McCoy's maintenance of sales outside of North America in third quarter of 2010 of \$8.9 million, which is 27% of total revenues.

The Mobile Solutions segment experienced an increase in revenue of 79 percent over last year when demand was at a low point. Mobile Solutions segment sales grew to \$14.9 million for the third quarter of 2010. The increase was primarily due to the continued recovery in oil and gas activity in Western Canada, where the majority of revenue for the Mobile Solutions segment is derived.

McCoy Trailers was successful in generating revenue above forecast for the quarter and has improved gross margins through efficiencies gained during the market downturn in 2009, including the consolidation of two manufacturing facilities.

McCoy's overall consolidated gross profit percentage improved to 43 percent for the third quarter of 2010 compared to 39 percent in the same period of 2009. This improvement is a result of economies of scale with higher sales as well as McCoy's continued monitoring and reduction of overhead costs to ensure protection of the gross profit.

In terms of McCoy's balance sheet, we ended the third quarter with \$11.9 million of cash on hand and an overall net cash position of \$5.3 million. It should be noted that three months earlier we reported net debt of \$1.1 million. At that time, this was the least amount of leverage McCoy had on its books since 2003. Now, with a net cash position of \$5.3 million, we're in an even better position. On top of our cash position, we have credit facilities available of \$8.2 million Canadian and \$1.8 million US.

That concludes my summary. I will now turn the call back to Jim.

Jim Rakievich: Thank you, Milica. I'll now sum things up with a few quick words about our outlook.

McCoy is in a position to be more proactive than 12 months ago. We are committed to 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. Regions like Latin America are positioning to invest heavily in oil and gas development over the next 10 to 15 years. McCoy is working to position itself to participate in these long-term growth areas.

We are highly committed to increase McCoy's 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. Building our drilling & completions product line continues to be a priority. Although organic product development and geographic expansion are key to our future growth,

there are, and will continue to be, strategic acquisition opportunities that could benefit McCoy. McCoy has a strong balance sheet and is in position to react to acquisition growth opportunities.

2010 to-date has met our expectations as a “bridge year”. Provided that commodity prices for oil and natural gas hold up or improve, McCoy could expect to see continued strengthening of our financial results in 2011. Near-term market visibility leads us to anticipate exiting the year in an even stronger position than we are reporting now. With that, we are now ready to take some questions. Operator, could you please provide instructions to the participants?

Operator: Thank you, sir. Ladies and gentlemen, if you would like to ask a question, please press star, one on your touchtone phone. To withdraw your question, please press the pound sign. If you are using a speaker phone, please lift the handset before entering your request. Please stand by for the first question.

The first question comes from Steve Hansen from Raymond James. Please go ahead.

Steve Hansen: Yes, good morning, everyone. Congratulations on a good quarter.

Milica Stolic: Good morning.

Jim Rakievich: Thank you, Steve.

Steve Hansen: Just to start on the trailer side of Mobile Solutions first. Horizontal drilling and fracking has clearly been a key driver for demand growth and it's great to see. I just wanted to maybe get a sense for how important that really has become. Could you maybe just give us a sense for what percentage of the current trailer output is fracking-related or horizontal drilling and where do you see that mix going over the next year, given that much of the backlog is probably growing in that space?

Jim Rakievich: Steve, over 50% of our revenue is currently being generated in the custom chassis market directly related to the multi-stage fracking industry, not only in Canada but in the US and some international stuff.

Steve Hansen: Sure.

Jim Rakievich: It's very clear to us with our current backlog that this trend will continue throughout 2011.

Steve Hansen: Okay, great. Yes, it seems to be quite the super-cycle going on.

Jim Rakievich: Yes.

Steve Hansen: Maybe another way to think about it is, you're down to one plant now, in Penticton; I think you stated you're about 75% utilization at that plant. I guess there's some restrictions on key people. I think you stated you've been at two chassis a day. Do you think you can get to two and a half or three chassis a day, or how do you feel about the production from the plant?

Jim Rakievich: Yes, the statement on the 75% is part of the buildup. You have to remember, Steve, that this ramp-up from the demand side came quite quickly.

Steve Hansen: Sure.

Jim Rakievich: If you remember 12 months ago, the story was very depressing on sales in that area, so we had a lot of layoffs. We had very few people in the plant, it was very, very slow, but the customer demand for these products came really quickly so the ramp-up is not easy when it's that fast. To answer your question, yes, we are anticipating, I would say, by the end of Q1 that we are utilizing the plant in Penticton much better than we are today. So the throughput in that plant should improve. For some of our US-bound chassis, we are subcontracting some assemblies to another plant under an agreement we've made, rather than go out and purchase or rent facilities and try to set up. That takes a long time.

We have a relationship with another trailer manufacturer who is not in this business. We've done, of course, confidentiality agreements and everything else but they needed some work and we're prepared to give them some of our assembly. So, I guess to meet the peak in a very short period of time, we've taken on some of the assistance of a US-based trailer assembly facility to help us keep up with customer demand.

Steve Hansen: Okay, interesting. And now, presumably, given the size of this opportunity or the wave of the opportunity, you're probably adjusting pricing accordingly on these trailers, or...

Jim Rakievich: Our pricing is good. In our trailer business, this is our higher margin product because of the engineering that's involved. We need to make money; we need to cover our costs. Steel prices are one of our bigger inputs and some of our other inputs with finished pieces like axles, tires and things like that. We will increase prices according to our input costs going up, but I think for now, our customers are getting a good price. We are not the type of company, just because the market's rebounding, to jack up the price to take advantage of our customers.

Steve Hansen: Okay. Just quickly over to your products then. You know, as you evaluate the acquisition landscape, clearly the tone of your commentary is far more positive today than it has been in the past quarters. Do you envision, Jim, sort of small tuck-in acquisitions to get one product at a time, or do you sort of see a wholesale acquisition that could get you multiple end market components that you're looking for? I know you've highlighted several of the things you're looking for in the past. I just want to get a sense for what you're thinking.

Jim Rakievich: Well, to be clear on that, Steve, really our number one priority is the handling tool piece. It's quite broad, so if we do an acquisition in that area, that would include a multiple of parts and pieces that are related to handling tools. To go back to the way you initially asked the question, we are looking at acquisitions anywhere with revenue from \$1 million to \$30 million, or even above that if it's a game changer opportunity. But in all likelihood with things that are on our radar in front of us, you know, we're looking at probably revenue increases from an acquisition, anywhere from 5 to \$30 million.

Steve Hansen: Okay, that's good context and I appreciate that. And then just a last one, if I may, before I jump back in the queue if there's anyone else. The margin lift on energy products was quite substantial quarter-over-quarter. You certainly cite higher volumes and reduced cost as key drivers behind that but I think margins now are back to peak levels, if not at peak levels, on the Energy Products side. Is this sustainable on a go-forward basis. I'm just trying to get a sense for how—why it's changed so quickly.

Milica Stolic: Steve, it's Milica. Obviously the biggest reason why revenues definitely increased quarter-over-quarter, we do feel that margins are sustainable long term. Of course, the only impact on that could be the US dollar versus the Canadian dollar; that would definitely impact us if there is a big swing there.

Steve Hansen: Okay, great. Very encouraging, guys. Great quarter. Happy to see it. I'll jump in back in the queue. Thanks.

Jim Rakievich: Thanks, Steve.

Operator: Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star, one on your touchtone phone.

The next question comes from John Bereznicki, from Paradigm Capital. Please go ahead.

John Bereznicki: Hey, good morning, everyone.

Milica Stolic: Morning.

Jim Rakievich: Morning, John.

John Bereznicki: Yes, I just wanted to pick up on that last question. With our loonie heading back to parity and a fairly depressed outlook for the US dollar for the foreseeable future, is there any thought to maybe shifting some of your production down to the US to take advantage of that? And can you do that?

Milica Stolic: Well John, I guess I can start answering the question; Jim might want to step in. Quite a bit of our production with respect to at least energy products, is done in the US already. The production that's happening in Canada, as it relates to sales in US dollars, is really only one facility here. Go ahead, Jim.

Jim Rakievich: John, the thing about us—we're back to the story of a natural hedge again as well. So even though our Canadian operation that manufactures the Farr product line is selling almost exclusively in US dollars, now that our trailer facility is manufacturing at quite a rapid pace, a lot of their input costs are in US dollars. We purchase US components, so we have quite a natural hedge that's built up again. Where we've run into problems before with the natural hedge is when our trailer business went down and dropped significantly over a couple of year period but the drilling and completions equipment manufacturing did not, so our natural hedge kind of disappeared. We're in a fortunate position right now where that has matched up pretty good again.

John Bereznicki: Okay, fair enough. And secondly, obviously, you made some nice steps forward internationally in the third quarter. Can you kind of give us a flavor of how that broke down regionally and where. I think you mentioned Brazil obviously, but some of the other areas that are looking particularly good right now?

Jim Rakievich: Yes. Well, if we break it down, our outside of North America sales, the Middle East was the biggest. That's a pretty big region but generally the Middle East was the strongest outside of North America. Asia was right there in the third quarter, so, actually it was Asia, Middle East, Australia, Europe, and then in South America and the UK and then Mexico.

John Bereznicki: Great. Appreciate the color. That's all for me. Thank you.

Jim Rakievich: Thank you, John.

Operator: Thank you. You have a follow-up question from Steve Hansen, Raymond James. Please go ahead.

Steve Hansen: Yes, hey, guys, just a couple of follow-ups. Jim, with respect to Inotec, could you maybe just speak briefly to the role that Ms. Debreccht, I believe it is, will be playing, and just comment to whether any strategic decisions have been made as yet? I mean, as we look at the oilsands activity, it looks like it's already back to pre-recession levels so the opportunity is certainly large there. Just wondering what you guys are thinking about.

Jim Rakievich: I'm glad you asked that, Steve. I am probably more positive about Inotec than I've been in the last two years. There's no question that we've struggled a bit with that business, and what we really needed there was someone of Jane's caliber, experience and industry knowledge to help guide that business, not only back to where we think that business should be but to look at the future and grow that business as the opportunities in the oil sands continue to grow, particularly on the maintenance cycles. And so bringing Jane on board, specifically Jane has agreed to work with us for the next two years in a leadership role.

We are going to bring in a new general manager but Jane is still going to remain; she's the interim general manager of Inotec. We're going to bring one on, but she is going to stay there in a senior role throughout that, even with a general manager. Jane's bio is very strong; she knows the business, she's got very strong management skills at a high level. And so it's taken a lot of weight off my shoulders and our executive team's shoulders so she can lead that team. We're building a new strategy for sales and marketing there right now. We're getting production and quality back into where it needs to be for the future, and I'm very excited about the future prospects for Inotec. I'm reinvigorated.

Steve Hansen: Okay, great. And maybe just one last one. Jim, I just want to follow up on John's question about Brazil and Latin America. I think this is the second quarter now that you've mentioned those regions as sort of key growth markets. Are you finding that your products are just gathering more, momentum maybe is the right word there? Are you tracking some market share there, are you getting new customers, or is it just the overall drilling activity level is picking up in the region?

Jim Rakievich: I think the biggest driver is the actual activity in Latin America has increased from what it's been in the past. One of the other reasons I mentioned it several times is, there's some really strong indicators—some of our customers—I was out for dinner with one of our European offshore drilling customers this weekend for the first time. They're taking a rig over there with a contract into offshore Brazil ultra deep, which is impressive, so it tells me even our customers that are not traditionally offshore Brazil customers are—when your customers are starting to focus on a new market, you should probably pay attention.

Steve Hansen: Sure.

Jim Rakievich: And that's kind of what we're doing, and then when people like Petrobras raise, what was it, \$80 billion, my guess is they're going to have to spend some of that money over the next 10 years, and that's a lot of money, it's a lot of capital investment. And so, all of those indicators tell us that, maybe not even immediately but over the next five to 10 to 15 years, there's going to be a lot of investment in oil and gas exploration and development and that would probably mean that we have an opportunity to participate.

Steve Hansen: Great, okay. And just one last one, if I may. Just sort of thinking, Jim, about some of the struggling businesses a little bit, Rebel, you know, you talked about an extended recovery period there. As you look to your future and you become more focused on the tools handling side of things, is there any thought about, you know, hiving off some of these businesses, or I guess even in theory, if the trailer business really gets humming, would that be an opportunity for strategic divestiture as well?

Jim Rakievich: Well, you know what, Steve, the good news is those businesses are starting to make a comeback, and I guess because Rebel is small, I don't talk about things like Rebel, and, for that matter, even the truck and trailer parts and service, which I guess I should talk about a bit more. Rebel is actually building a bit of backlog and their market is coming back, so we're starting to see positive things out of that business. And it was in a lull; it's kind of like trailers, where they ran into an extended period of a downturn, and one of the reasons is because the Rebels and the Trailers and those guys are less international and more Western Canadian Sedimentary Basin reliant on their market; and as you're probably aware, the activity in that market has made a reasonable comeback so those businesses are coming back. Our truck and trailer products and services, or our parts and services, they're doing well also. They're pretty steady-Eddie, they don't have big peaks and valleys like the others, but they're in positive territory, they're making money and their market's coming back at a slower but steady pace.

Steve Hansen: Okay, great. That's it for me, guys. Thanks.

Jim Rakievich: Thank you, Steve.

Operator: There are no further questions at this time. Please continue.

Milica Stolic: Thank you again, everybody, for joining this call this morning. With that being said, I guess we have no further comments.

Operator: Ladies and gentlemen, this concludes the conference call for today. We thank you for your participation. You may now disconnect your line and have a great day.