LETTER TO SHAREHOLDERS

McCoy's financial results continued to strengthen in the third quarter of 2010. Our improved efficiencies and cost controls implemented in 2009 are having a meaningful impact on profitability. Within our Energy Products & Services segment, our Drilling & Completions division showed another quarter of growth, accentuated by increased international sales. Strong demand for custom trailer chassis utilized in multi-stage hydraulic fracturing of oil and gas wellbores also resulted in a strong quarter for McCoy's Mobile Solutions segment.

McCoy's revenues for the third quarter were $33.2 million. Earnings before interest, taxes, depreciation, amortization and stock-based compensation ("EBITDAS") were $4.4 million or $0.17 per share and net earnings were $2.0 million or $0.07 per share. As a testament to improved efficiencies, both EBITDAS and net earnings for the third quarter of 2010 were slightly higher than they were two years prior in third quarter 2008 when revenues were approximately 40 percent higher.

At a strategic level we continue to build a comprehensive line of drilling and completions equipment while increasing our sales outside North America. Our balance sheet, which includes a net cash position of $5.3 million at September 30, 2010, positions us well to be able to invest in this growth strategy.

Strategic investments are already being made through initiatives such as attracting and hiring a new Vice President, Sales and Marketing for the Drilling & Completions division. I am pleased to have brought on board Mr. Ron Roling who has more than 25 years of direct industry experience in global markets and significant drilling and completions product knowledge. Mr. Roling will work out of a new office in Houston, Texas, an important hub for the global energy industry.

Our global scope was accentuated by sales delivered to 34 countries during the three month period. International sales outside of Canada and the United States climbed by 50% to $8.9 million in the third quarter of 2010, from $5.9 million in the same quarter of 2009. This provides more encouraging proof that our strategy to become a more global company has continued to show financial benefits.

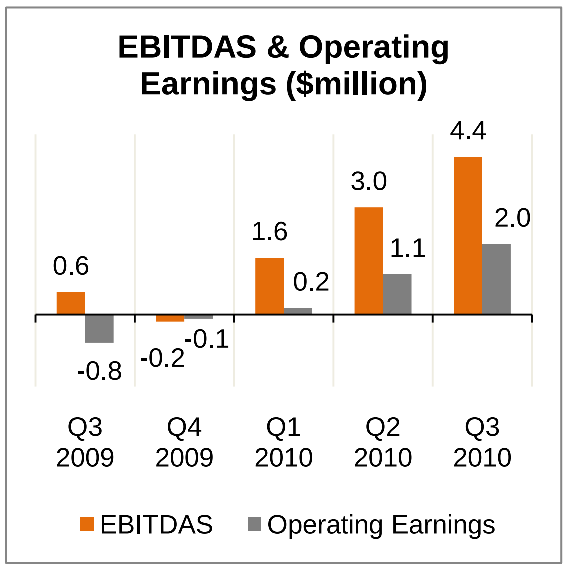
The McCoy Board and Executive are proactively focused on McCoy's growth strategy and recently held a strategic planning session to map out McCoy's strategic direction over the next two years. I spent much of the second half of this year visiting our operations and many international customers; I have picked up clear indications of where demand is growing for our products. McCoy's global customers are continuing to get more active in Latin America, particularly Brazil as that country is a hot spot for energy industry growth.

Meanwhile at home, technical innovation in the Canadian energy industry has resulted in higher demand for our products associated with the transportation of multi-stage hydraulic fracturing equipment. Although highly dependent on industry conditions and economics we see this higher demand continuing to be solid over the near to medium-term. Providing specialized solutions for multi-stage hydraulic fracturing jobs has been a key growth area for McCoy.

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

($000)	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Total revenue	33,235	30,369	24,747	20,477	22,780
Net earnings (loss)	1,953	1,115	178	(11,236)	(779)
Net earnings (loss) before non-cash goodwill impairment charge ("operating earnings")[1]	1,953	1,115	178	(112)	(779)
EBITDAS	4,372	2,969	1,575	(197)	620
Cash flow from operating activities	7,109	2,226	(407)	3,104	2,589
Cash flow from operating activities before non-cash working capital items	3,253	2,347	1,420	707	505

The continued market recovery is reflected in McCoy's 2010 third quarter financial results. Financial performance, though not yet at the same levels from two to three years ago, continues to improve. Total revenues have increased by 46% for the third quarter of 2010 compared to the same quarter of 2009. Thanks to the hard work of the McCoy team, we have emerged from a challenging period with a very strong balance sheet and recovering earnings.



McCoy is now in a position to be more proactive than 12 months ago, during the height of the economic downturn, when we were more focused on improving efficiencies and preserving our balance sheet rather than growth opportunities.

McCoy's \$5.3 million of net cash at September 30, 2010, is the net result of our cash on hand of \$11.9 million less all term debt and capital leases of \$6.6 million. This compares to an overall net debt of \$1.1 million three months earlier, and \$4.7 million one year prior. McCoy also has untapped credit facilities available of CAD \$8.3 million and USD \$1.8 million.

[1] Operating earnings, as defined herein, is a non-GAAP measurement, see page 8.

Our team continues to create value for shareholders. Our expectation for 2010 to be a bridge year for the Company is proving true. Our focus has been to recover from the downturn in the economy while continuing to meet our goals for efficiency and global growth. Although we continue to be cautious in our corporate outlook, we are gaining a feeling of greater stability looking over the next few quarters. We are seeing growth opportunities and we are positioning ourselves to take advantage of these opportunities going forward.

Jim Rakievich
President & Chief Executive Officer
November 4, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This interim Management's Discussion and Analysis ("MD&A"), dated November 3, 2010, should be read in conjunction with the unaudited interim consolidated financial statements and notes for McCoy Corporation ("the Company" or "McCoy") for the quarter ended September 30, 2010 and 2009; the annual audited consolidated financial statements and notes of McCoy for the years ended December 31, 2009 and 2008; and the MD&A for the year ended December 31, 2009. These documents and additional information relating to McCoy can be found on SEDAR www.sedar.com. This MD&A provides information on the activities of McCoy on a consolidated basis. All amounts are expressed in Canadian dollars unless otherwise stated.

Forward Looking Statements

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

Vision, Strategy and Core Businesses

McCoy's Vision
is to become a significant growth-oriented company by broadening our global reach of products, continued market leadership, ongoing technological innovation, and focusing on efficient operations.

McCoy's Mission
is to provide innovative products and services to the global energy industry.

Energy Products & Services Overview

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

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

McCoy will continue to pursue growth of the EP&S segment through organic growth from existing operations and strategic acquisitions as demonstrated by the acquisition of Superior and PDT during the third quarter of 2007 and RP during the first quarter of 2009.

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

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

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

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

Mobile Solutions Overview

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

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

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

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

Financial Highlights

Three Months Ended September 30

($000 except per share amounts)	2010 $	2009 $	2008 $
Total revenue	33,235	22,780	47,017
Net earnings (loss) for the period	1,953	(779)	1,909
Basic earnings (loss) per share	0.07	(0.03)	0.07
Diluted earnings(loss) per share	0.07	(0.03)	0.07
EBITDAS(2)	4,372	620	4,072
EBITDAS(2) per share	0.17	0.02	0.15
Cash flow from operating activities	7,109	2,589	6,129
Cash flow from operating activities per share	0.27	0.10	0.22

McCoy's 2010 third quarter financial results reflect the continued market recovery for McCoy. Comparison of the previous periods clearly show that we have yet to return to the activity levels when rig counts were much higher; however, the financial performance has continued to improve in the third quarter of 2010 when compared to the first two quarters of 2010. Total revenue has increased by 9% for the third quarter of 2010 compared to the second quarter of 2010 which is in line with the worldwide rig count increase of 9% from June 2010 to September 2010.[a] McCoy's order backlog remains strong; however, McCoy is continuing to view the recovery cautiously to ensure the revitalization is sustained.

Net earnings for the period have increased to 6% as a percentage of revenue from 4% in 2008. EBITDAS has also increased to 13% as a percentage of revenue from 3% in 2009 and 9% in 2008. These increases are partially attributable from the improvement of the gross profit percentage of McCoy as a result of manufacturing efficiencies achieved through lean manufacturing processes and initiatives and the reduction of manufacturing overhead costs where possible. More specifically, in the Mobile Solutions segment, along with the efficiencies gained from the improved manufacturing processes, gross profit percentage improved as a result of the market drastically improving. In 2008, there was more production capacity than demand. Because of this, the margins were driven down due to the highly competitive market. In 2010, the Western Canadian Sedimentary Basin ("WCSB") has experienced a recovery in the conventional oil and gas sector and demand for product has mirrored the recovery as reflected in the sales backlog for McCoy Trailers.

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

Nine Months Ended September 30

($000 except per share amounts)	2010 $	2009 $	2008 $
Total revenue	88,351	77,066	127,160
Net earnings (loss) for the period	3,246	(1,926)	6,508
Basic earnings (loss) per share	0.12	(0.07)	0.23
Diluted earnings (loss) per share	0.12	(0.07)	0.23
EBITDAS(2)	8,917	2,279	13,775
EBITDAS(2) per share	0.34	0.09	0.50
Cash flow from operating activities	8,929	7,576	10,023
Cash flow from operating activities per share	0.34	0.29	0.36
Total Assets	83,616	86,624	121,404
Total Liabilities	27,896	22,814	40,867
Total Long-term Liabilities	7,835	7,990	12,565

A dividend was not declared during the first, second and third quarters of 2010 and the fourth quarter of 2009 as the Board of Directors felt that it was prudent to preserve cash given the uncertainty in current market conditions and to ensure availability of future growth capital. 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, 2009, March 31, 2009 and $0.03 per common share on December 31, 2008 and September 30, 2008.

(2) Non-GAAP Measurements

EBITDAS is a non-GAAP measurement defined as "earnings before extraordinary and other non-recurring items, interest, taxes, depreciation, amortization and stock-based compensation". McCoy reports on EBITDAS because it is a key measure used by management to evaluate performance. EBITDAS is utilized in making decisions relating to distributions to shareholders. McCoy believes EBITDAS assist investors in assessing McCoy's performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods or non-operating factors such as historical cost.

EBITDA is a non-GAAP measurement defined as "earnings before extraordinary and other non-recurring items, interest, taxes, depreciation and amortization" and is used in monitoring compliance with debt covenants.

EBITDAS and EBITDA are not considered an alternative to net earnings in measuring McCoy's performance. EBITDAS and EBITDA do not have a standardized meaning and are therefore not likely to be comparable with similar measures used by other issuers. However, McCoy calculates EBITDAS and EBITDA consistently from period to period. EBITDAS and EBITDA should not be used as exclusive measures of cash flow since they do not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statement of cash flows.

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

($000)	2010 $	2009 $	2008 $
Net earnings (loss) for the period	1,953	(779)	1,909
Income taxes (recovery)	1,087	(8)	702
Interest on debt	87	162	213
Amortization	1,149	1,168	1,095
EBITDA	**4,276**	**543**	**3,919**
Stock-based compensation	96	77	153
EBITDAS	**4,372**	**620**	**4,072**

EBITDAS and EBITDA have been calculated as follows for the nine months ended September 30:

($000)	2010 $	2009 $	2008 $
Net earnings (loss) for the period	3,246	(1,926)	6,508
Income taxes (recovery)	1,701	(272)	2,953
Interest on debt	249	573	672
Amortization	3,399	3,631	3,201
EBITDA	**8,595**	**2,006**	**13,334**
Stock-based compensation	322	273	441
EBITDAS	**8,917**	**2,279**	**13,775**

Results of Operations

Sales by Operating Segment – Three Months Ended September 30

($000 except percentages)	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
2010 sales	21,939	14,887	(3,591)	33,235
2009 sales	15,966	8,329	(1,515)	22,780
Annual Percentage Increase	37%	79%		46%

Sales by Operating Segment – Nine Months Ended September 30

($000 except percentages)	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
2010 sales	59,509	38,872	(10,030)	88,351
2009 sales	55,259	27,595	(5,788)	77,066
Annual Percentage Increase	8%	41%		15%

Revenue for the EP&S segment increased by 37% or $5,973,183 to $21,938,872 in 2010 from sales of $15,965,689 in the third quarter of 2009 due to increased spending in global drilling equipment and down-hole tool markets in these comparative quarters. This is consistent with the increase in the worldwide rig count by 42% from Q3 of 2009.[b] Signs of recovery in the markets continue as revenues for EP&S have increased by $886,065, or 4%, from the second quarter of 2010 and worldwide rig counts have increased to 3,122 as at September 2010 compared to 2,859, by 9%, as at June 2010.[b] International drilling activity was a bright light in 2009 and early 2010 as international sales remained strong in certain countries due to the recovering price of oil. As the number of rigs working internationally and in North America increase, McCoy expects that demand for capital equipment will improve which will be positive for both the EP&S and Mobile Solution segments. While rig counts have increased substantially over the last year they remain well below 2008 peak levels; however, McCoy is seeing both quoting and order activities increase, particularly for our custom trailer chassis. Capital

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

goods orders for drilling & completions equipment typically lag the immediate increase in drilling rig activity and this cycle is no exception. EP&S has experienced a backlog build up and the revenue pipeline for drilling and completions equipment has recovered, but not to 2008 levels. The volatility in North American natural gas prices in 2010 is creating uncertainty as to North American gas drilling levels for the remainder of 2010. If drilling activity levels drop, the improving demand for capital equipment could be derailed.

Revenues from Rebel, our Red Deer based vacuum tank and hydro-vac business, continued to struggle throughout this quarter however we are experiencing an increase in quoting and sales. Rebel's traditional market has been the WCSB which has experienced a recovery in the conventional oil and gas sector, however, the demand for this equipment has been very slow to recover. We anticipate recovery to be lengthy. To counteract this situation, Rebel has been and will continue to pursue sales opportunities outside of Canada, including international markets as well as initiate additional cost cutting measures. Management has made a strategic decision to move the pipe handling products (pick-up and lay-down equipment), that were manufactured at the Red Deer facility, to the Drilling & Completions business.

Inotec has also experienced a slow recovery from the significant market slowdown of 2009. Over half of Inotec's historic revenues were generated by providing turnkey products, finish coatings or refurbishment of down-hole tools. This market is heavily influenced by active conventional rig counts in North America. In 2009, rig count activity dropped significantly and the down-hole tool business for Inotec dried up. We are now seeing a slow but steady recovery as our customers begin to work through their inventories that were built up prior to the slowdown of 2009. However, the hydraulics portion of the business which derives the majority of its revenue from customers operating equipment in the oil sands has remained strong and Inotec is looking to increase market-share in this area. During the third quarter, McCoy engaged Jane Debbrecht, a consultant who was the former President, US Division and Executive Vice President, Global Operations, of Sulzer Metco, to provide strategic guidance to Inotec. Ms. Debbrecht brings with her many years of senior executive experience as well as direct industry knowledge. Ms. Debbrecht's role will be to lead Inotec not only back to its former performance levels but beyond. Ms. Debbrecht has a degree in Chemical Engineering and an MBA.

The Mobile Solutions segment experienced an increase in revenue of $6,557,667, from $8,329,624 in the third quarter of 2009 to $14,887,291 for the same period in 2010. The increase was primarily due to the continued recovery in conventional oil and gas activity in the WCSB, from which the majority of revenue for the Mobile Solutions segment is derived. Management is taking a conservative view on long-term capital equipment spending by these regional customers.

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

The sales backlog for McCoy Trailers remains strong, primarily in the custom drilling, well stimulation and servicing trailer market, 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 products in Canada.

McCoy Trailers Q3 2010 revenues were $4.8 million higher than the same period of 2009 and over $1.1 million higher than Q2 2010, primarily due to steady demand for more horsepower for multi-stage fracturing. This has driven the demand for additional custom chassis trailers. Capital equipment spending is continuing by key pressure pumping companies. The Marcellus Shale play is drawing equipment into the region, both fracturing and rig moving. The backlog for standard rig moving trailers in the WCSB is steadily building.

The Penticton plant continues to operate at 75% capacity, based on limitations in recruiting key vacant positions. Plant efficiencies have leveled off due to the influx of new hourly staff. We continue to recruit and train new employees to increase capacity.

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

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

Gross Profit by Operating Segment – Three Months Ended September 30

	Energy Products & Services	**Mobile Solutions**	**Total**
($000 except percentages)	**$**	**$**	**$**
2010 Gross Profit	10,421	3,776	14,197
% of Sales	47%	25%	43%
2009 Gross Profit	6,626	2,358	8,984
% of Sales	42%	28%	39%
Annual Percentage (Decrease) Increase	5%	(3%)	4%

Gross Profit by Operating Segment – Nine Months Ended September 30

($000 except percentages)	**Energy Products & Services** $	**Mobile Solutions** $	**Total** $
2010 Gross Profit	26,476	10,376	36,852
% of Sales	44%	27%	42%
2009 Gross Profit	24,002	6,851	30,853
% of Sales	43%	25%	40%
Annual Percentage Increase	1%	2%	2%

Consolidated gross profit percentage has improved to 43% for the third quarter of 2010 compared to 39% for the third quarter of 2009 and improved to 42% for the nine months ended September 2010 compared to 40% in the same period of 2009. This improvement is a result of McCoy's continued monitoring and reduction of manufacturing overhead costs where possible to ensure protection of the gross profit.

EP&S increased gross profit by 57% or $3,794,475, from $6,626,312 for the third quarter of 2009 to $10,420,787 for the same period of 2010. The increase is tied directly to the increase in sales for the period and to the reduction of manufacturing overhead costs. Gross profit as a percentage of sales increased from 2009 due to the higher Canadian dollar and manufacturing efficiencies obtained throughout the year.

Mobile Solutions segment's gross profit increased by $1,418,442 or 60%, from $2,357,515 for the third quarter of 2009 to $3,775,957 for the same period in 2010. This increase relates to increased activity in Western Canada as well as the benefits of the baseline cost reductions that were a result of the consolidation of production facilities during the third quarter of 2009. The consolidation of operations will continue to provide long-term, efficiencies and baseline cost reductions going forward. This trend in the trailer manufacturing and parts and service industry is expected to continue for the foreseeable future as the McCoy Trailers portion of the Mobile Solutions segment is expected to continue to operate at approximately 75% of its capacity.

Salaries & Commissions

Salaries and commissions increased by $1,264,139 or 25% for the third quarter of 2010 to $6,244,224, compared to $4,980,085 in the same period of 2009. The efficiencies obtained by McCoy offset the increased commissions due to the increase in revenues as salaries and commissions are 19% of revenues for the third quarter of 2010 compared to 22% for the same period of 2009. Included in salaries & commissions for the quarter is severance of $428,000 that is a non-recurring expense. Management expects salaries & commissions to continue to be approximately 19% of revenues for the remainder of the year.

Operations

Operations expenses were $2,729,282 in the third quarter of 2010 compared to $2,663,140 for the same period in 2009 representing a slight increase of $66,142 or 2%.

This increase corresponds to the increase in revenues for the third quarter of 2010 compared to the third quarter of 2009 as operations expenses such as utilities and maintenance are dependent on equipment and plant usage, which are driven by revenues. The Company's efforts to improve efficiencies are reflected in operations expenses declining to 8% of revenues for the third quarter of 2010 compared to 12% for the same period of 2009.

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

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

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

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

Amortization

Amortization expense of $1,149,350 in the third quarter of 2010 represents a $18,374 or 2% decrease from amortization expense of $1,168,084 for the same period in 2009. The decrease is attributable to the decreased base on which amortization is calculated as a result of management's decision to reduce capital spending for 2009 until markets begin to show a sustained recovery. For the third quarter of 2010, there were capital additions of $443,347 of equipment and intangible assets compared to $663,153 for the same period of 2009. On September 30, 2010, the Board approved Management's recommendation to implement a new ERP system. This implementation will cost approximately $1.5 million and will be completed by the end of 2015, of which $0.8 million will be spent by the end of 2011. The Board also approved an additional capital expenditure plan of approximately $1 million for organic growth related to a new product line which will be incurred in the fourth quarter of 2010. Because of the additional capital expenditures, Management expects amortization expense to increase in the fourth quarter of 2010.

Interest on Debt

Interest on debt of $87,388 in the third quarter of 2010 represents a $74,350 or 46% decrease from interest expense of $161,738 for the same period in 2009. This is due to the fact that during the first quarter of 2010 McCoy was able to refinance its debt with more favourable interest rates and an extended amortization period. This trend of reduced interest compared to 2009 is expected to continue throughout 2010.

Selling

Selling expenses increased by $41,978 or 13% in the third quarter of 2010 to $366,451 from $324,473 for the same period in 2009. The increase relates to additional selling activity for the third quarter of 2010 compared to the same period in 2009. In addition to the regularly attended trade shows, McCoy was represented in two trade shows for the first time in Pennsylvania and Brazil during the third quarter which contributed to the increase in selling expenses. The increase in interest, quotes and sales from international locations such as Brazil will continue to require direct contact with our customers in those regions. Management expects selling expense to increase as a percentage of sales in 2010 as continued efforts to expand McCoy's international sales occurs.

Corporate Services

Corporate services expenses increased slightly by $12,655 to $404,849 for the third quarter of 2010 compared to $392,194 for the same period in 2009, or 3%. McCoy's efforts to trim non-essential costs are reflected in corporate services expenses declining to 1% of revenues for the third quarter of 2010 compared to 2% for the same period of 2009.

Foreign Exchange

As a result of the strengthening Canadian dollar against the U.S. dollar during the third quarter of 2010, McCoy recorded a foreign exchange loss in the amount of $62,923, compared to a gain of $6,408 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 September 30, 2010, as well as the conversion of certain U.S. dollar balances to prevent draws on the line of credit. McCoy typically holds a net U.S. dollar working capital position, so foreign exchange gains or losses will continue as long as the Canadian to U.S. dollar exchange rate fluctuates. McCoy will continue to monitor the currency fluctuations between the Canadian dollar and the U.S. dollar. Based on our projected requirements for converting U.S. cash to Canadian dollars, we may periodically enter into forward contracts to partially manage our exposure as necessary.

Stock Based Compensation

Stock based compensation of $95,603 for the third quarter of 2010 represents a $18,527 increase from $77,076 for the same period in the prior year. This increase is in line with the amortization of the stock-based compensation as additional stock options were granted during the year. McCoy employs the fair value method of accounting for stock-based compensation and the result is a charge to stock-based compensation expense over the vesting period of the option. This level of expense is expected to continue in the coming year unless additional stock options are granted, in which case the expense would then be expected to increase.

Summary of Quarterly Results ($000's)

($000 except per share amounts)	2010			2009				2008
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
	$	$	$	$	$	$	$	$
Total revenue	33,235	30,369	24,747	20,477	22,780	23,309	30,976	41,235
Net earnings (loss) before goodwill and intangibles impairment	1,953	1,115	178	(112)	(779)	(1,479)	331	1,840
Goodwill and intangibles impairment, net of tax	-	-	-	(11,124)	-	-	-	(13,900)
Net earnings (loss)	1,953	1,115	178	(11,236)	(779)	(1,479)	331	(12,060)
Basic earnings (loss) per share	0.07	0.04	0.01	(0.42)	(0.03)	(0.06)	0.01	(0.44)
Diluted earnings (loss) per share	0.07	0.04	0.01	(0.42)	(0.03)	(0.06)	0.01	(0.44)

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

Liquidity and Capital Resources

Three Months Ended September 30

($000)	**2010** **$**	**2009** **$**	**2008** **$**
Cash provided by operating activities	7,109	2,589	6,129
Cash used in financing activities	(215)	(1,205)	(1,324)
Cash used in investing activities	(605)	(1,833)	(2,526)
Foreign exchange loss on cash held in foreign currency	(121)	(205)	(206)
Increase (decrease) in cash	**6,168**	**(654)**	**2,073**

Cash flow provided by operating activities for the three months ended September 30, 2010 increased by $4,520,096 or 175% compared to the same period in 2009. This increase is related to the increase in earnings for the period along with the increase in non-cash working capital components of approximately $1.8 million. The increase in non-cash working capital is primarily due to large accounts receivable balances collected in July.

Cash used in financing activities decreased by $990,777 or 82% for the third quarter of 2010 compared to the same period in 2009 as McCoy enjoyed reduced debt payments as a result of refinancing of its debt. McCoy has not declared or paid any dividends during 2010 as the Board thought it prudent to conserve cash given current economic uncertainty and to ensure the availability of growth capital. Comparatively in 2009, $529,518 of dividends were declared and paid.

Cash used in investing activities decreased by $1,227,359 or 67% for the third quarter of 2010 compared to the same period in 2009. During the period ended September 30, 2009, McCoy paid $1,186,487 of additional consideration related to the acquisition of Universal Grinding Inc. There was no such payment for the current period. McCoy has approved revised capital expenditures for 2010 in the amount of $4.7 million. On September 30, 2010, the Board approved Management's recommendation to implement a new ERP system. This implementation will cost approximately $1.5 million and will be completed by the end of 2011. The Board also approved an additional capital expenditure plan of approximately $1 million for organic growth related to a new product line which will be incurred in the fourth quarter of 2010. The nature and purpose of these expenditures is mostly equipment purchases. The expected source of funds for these capital purchases is operating cash flows. McCoy also had cash on hand at September 30, 2010 of $11.9 million and $10 million is available under its Canadian credit facility. As at September 30, 2010, based on the levels of accounts receivable and inventories used to calculate the available credit, McCoy has access to CAD $8.25 million of the Canadian credit facility. McCoy also has USD $1.8 million available under a US 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 nine months ended September 30, 2010, no common shares were repurchased.

On October 4, 2010, the Bid expired and was not renewed.

Debt to Equity Ratio

September 30, 2010	December 31, 2009	September 30, 2009
0.50 to 1	0.40 to 1	0.36 to 1

The debt to equity ratio fluctuates as McCoy completes acquisitions and alternate forms of financing are used. 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 September 30, 2010, the classification of financial instruments is as follows:

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

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

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

(d) Transaction costs are expensed as incurred.

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

Financial Risk Management

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

Foreign Currency Risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. McCoy operates internationally and is exposed to changes in foreign currency rates. We are primarily exposed to fluctuations in the US dollar. McCoy attempts to match cash flows and reported amounts for revenues and expenses on a period-to-period basis. Further volatility in reported amounts arises from the translation (referred to as "translation risk") of our foreign operations using the current rate translation method.

Canadian GAAP requires us to disclose a sensitivity analysis that shows our foreign currency risk exposure at our period end. More specifically, GAAP requires that the sensitivity analysis include only the effect on our financial instruments which excludes the consideration of translation risk, financial instruments that are non-monetary items, and financial instruments denominated in the functional currency in which they are transacted and measured. Based on those US dollar denominated financial instruments at September 30, 2010, for each 1% change in the US dollar, McCoy would incur an exchange loss or gain of approximately $53,000.

Our analysis of the effects of hypothetical foreign exchange changes are based on assumptions, including the maintenance of the existing level and composition of assets and liabilities, and should not be relied on as indicative of actual or future results.

Included in earnings for the three-month period is $62,923 of foreign exchange losses (2009 – gain of $6,408).

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 $66,000 (2009 – $37,000) in annual interest reduction or increase.

Credit Risk

McCoy is exposed to credit risk through its accounts receivable with its customers. This risk is now elevated compared to prior years due to the impact the current credit markets and general economy have had on customers. McCoy manages credit risk by following a program of credit evaluation, obtaining deposits on certain orders and by limiting the amount of customer credit following the credit evaluation. Allowances are provided for potential losses that have been incurred at the balance sheet date. The amounts disclosed in the balance sheet for accounts receivable are net of the allowance for doubtful accounts amounting to $315,925 (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 nine-month period ended September 30, 2010 and year ended December 31, 2009, McCoy did not have any customers that represented greater than 10% of its revenue.

The following table sets forth details of aging of receivables:

($000 except percentages)	September 30, 2010 $	%	December 31, 2009 $	%
0 to 30 days (current)	8,648	*54*	6,010	*64*
31 to 60 days	2,953	*19*	1,888	*20*
61 to 120 days	2,314	*14*	1,105	*12*
Over 120 days	1,567	*10*	432	*4*
Sub-total accounts receivable	15,482	*97*	9,435	*100*
Less: Allowance for doubtful accounts	(316)	*(2)*	*(297)*	*(3)*
Trade receivables	15,166	*95*	9,138	*97*
Other receivables	788	*5*	314	*3*
Total accounts receivable	15,954	*100*	9,452	*100*

Subsequent to the month ended September 30, 2010, approximately $2.3 million of the $3.9 million 61+ days accounts have been collected. Management has provided for any accounts that may not be collectible.

Liquidity Risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We manage our liquidity risk by monitoring our cash flows and other anticipated expenses so there are sufficient cash resources to meet forecasted operational expenses and financial obligations. Cash on hand at the period end was $11.9 million and $10 million is available under the Canadian credit facility. As at September 30, 2010, based on the levels of accounts receivable and inventories used to calculate the available credit, McCoy had access to CAD $8.25 million of the line. McCoy also has USD $1.8 million available under a US 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.

	September 30 , 2010		December 31, 2009	
	Trade and other payables	**Finance debt**	**Trade and other payables**	**Finance debt**
($000)	**$**	**$**	**$**	**$**
Within one year	17,760	846	11,915	1,250
1 to 5 years	-	5,771	-	5,767
	17,760	6,617	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 September 30, 2010 and December 31, 2009.

Capital Management

McCoy's objectives when managing its capital are to safeguard McCoy's assets and its ability to continue as a going concern, while at the same time maximizing the growth of its business and the return to its shareholders. McCoy views its capital as the combination of long-term debt and shareholders' equity.

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 McCoy's lender.

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

($000 except ratios)	**September 30, 2010** **$**	**December 31, 2009** **$**
Current portion of long-term debt	452	844
Current portion of obligations under capital lease	394	406
Long-term debt	5,221	4,917
Obligations under capital lease	550	850
Less: Canadian denominated cash on deposit	(3,876)	-
Total funded debt	2,741	7,017
Normalized rolling four quarter EBITDA	8,319	2,407
Funded debt to EBITDA	0.33	2.92

The improvement in the funded debt to EBITDA is attributable to the improved rolling four quarter EBITDA for the period ended September 30, 2010 and because of a change in the basis of the calculation.

On September 14, 2010, McCoy renegotiated its commitment letter which amends "funded debt" so that it is now net of Canadian denominated cash on deposit. All other terms have remained unchanged.

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

- Maintenance of the ratio of current assets to current liabilities of no less than 1.25:1;
- Funded debt to EBITDA, calculated on a rolling four-quarter basis, of 2.50:1 or better; and
- An EBITDA to interest expense plus the current portion of long-term debt, calculated on a rolling four-quarter basis, ratio of 1.20 to 1; and
- Starting 2011, a payment to a maximum of $250,000 per year is required if EBITDAS is less than $5 million per year.

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

Inventories

($000)	September 30, 2010 $	December 31, 2009 $
Raw materials	2,730	3,238
Work-in-progress	7,373	4,028
Finished goods	11,859	10,846
Trucks	352	528
	22,314	18,640

During the three months ended September 30, 2010, cost of sales was $19,038,544 (2009 – $13,796,226), which included $18,035,422 (2009 – $12,548,430) of costs associated with inventory, a recovery of $21,553 due to inventory adjustments (2009 – loss of $674,711) and $1,024,675 (2009 – $573,085) of freight and warranty expenses.

The increase in work-in-progress is a result in the increased activity since the beginning of the year and a reflection of the strong order backlog.

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	23,249	888	3,209	2,653	2,422	2,418	11,659
Obligations under capital leases	944	102	369	250	184	33	6
Long-term debt	5,674	113	452	453	452	453	3,751
Total	29,867	1,103	4,030	3,356	3,058	2,904	15,416

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 $77,698 is included in income during the first nine months of 2010 (2009 – $77,698).

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

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

Outstanding Share Data

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

Common shares	26,475,912
Convertible equity securities	
Stock options	1,245,000

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.

Interest in Joint Venture

The major components of McCoy's 50% proportionate interest in Prairie Truck Ltd. included in these interim consolidated financial statements are as follows:

($000)	**September 30, 2010** **$**	**December 31, 2009** **$**
Current assets	1,767	2,162
Total assets	1,865	2,280
Current liabilities	173	187
Total liabilities	173	187

($000)	Three months ended September 30, 2010 $	Nine months ended September 30, 2010 $	Three months ended September 30, 2009 $	Nine months ended September 30, 2009 $
Revenue	1,074	2,996	730	2,706
Cost of sales	826	2,244	483	1,923
Gross profit	248	752	247	783
Expenses	209	653	233	740
	39	99	14	43
Income taxes	-	-	-	5
Net earnings for the year	39	99	14	38

Critical Accounting Estimates

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

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

Recent Accounting Pronouncements Issued and Not Yet Adopted

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

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

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

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

Property, plant and equipment

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

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

McCoy assessed the impact of componentization on the opening statement of financial position and it was determined that the amount was not significant, and therefore no adjustment is necessary.

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 are 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.

McCoy tested for impairment at January 1, 2010 for each of the cash generating units that were established as part of the transition to IFRS. The test indicated that an impairment of $304,396, net of taxes, existed in the McCoy Drilling & Completions – Farr Top Drive cash generating unit.

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.

McCoy assessed whether or not additional provisions should be recognized under IFRS and it was determined that there are no provisions to be recorded as a result of the changing recognition threshold; therefore no adjustment is necessary.

Other opening statement of financial position adjustments

In addition to adjustments relating to the above key areas affected by IFRS, there are some additional adjustments at transition date that have been quantified by McCoy.

One in particular relates to the deferred gain previously recorded as part of the sale-leaseback transaction. Under IFRS gains arising on sales-leaseback transactions resulting in operating leases are required to be recognized in income when the transaction occurs. Under Canadian GAAP this amount was being amortized over the lease term. Accordingly the deferred gain as at January 1, 2010 has been reversed through opening retained earnings, which was an amount of $621,695, net of taxes.

First-time adoption of IFRS

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. McCoy has calculated a $265,000 adjustment on transition to record the contingent liability related to the acquisition of Universal Grinding Inc. The associated expense is recorded to opening retained earnings.

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.

McCoy has calculated the adjustment to revalue land as an increase of $2,285,344, net of taxes. The associated gain is recorded to retained earnings.

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.

Overall effect on opening retained earnings

The adjustments quantified above all have an impact on the retained earnings balance as at January 1, 2010. The overall effect of these adjustments is an increase in retained earnings of $2,358,956.

Policy approval progress

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

Policy	**Effect**
Provisions, contingent liabilities, and contingent assets	McCoy will recognize provisions when they are assessed as “probable,” and consider whether provisions exist due to constructive obligations.
Revenue recognition	No changes are expected from the accounting treatment under Canadian GAAP.
Presentation of financial statements	McCoy will present components of profit and loss in a single consolidated statement of income and comprehensive income. McCoy will present the analysis of expenses recognized in profit or loss classified by function.
Financial instruments	Cash and cash equivalents are to be classified as loans and receivables instead of held for trading.
Statement of cash flows	No changes are expected from the accounting treatment under Canadian GAAP, as McCoy will report the cash-flows from operating activities using the indirect method.
Earnings per share	No changes are expected from the accounting treatment under Canadian GAAP.
Interim financial reporting	McCoy will report the interim financial statements using a condensed form of the financial statements.

Impairment of assets	Impairment will be tested based on cash generating units and the comparison of the carrying amount to the recoverable value.
Intangible assets	McCoy will use the cost method for the measurement of intangibles.
Income taxes	McCoy will classify deferred tax assets and liabilities as long-term.

Project plan for 2010

McCoy has calculated the impact of IFRS to its opening statement of financial position. The joint venture analysis is still to be completed and will be assessed once the standard is finalized by the International Accounting Standards Board ("IASB"). This is expected to be finalized in the fourth quarter of 2010. In the fourth quarter McCoy will turn its focus to assessing the quantitative impact of IFRS to the 2010 financial statements and determine the amounts to be used as comparatives in 2011, particularly for the first quarter. While McCoy believes it has done an appropriate level of analysis in selecting its IFRS accounting policies and quantifying the effects, IASB projects may force changes or adjustments to the Opening Balance Sheet and quarterly IFRS statements.

Impact of IASB projects

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

Impact on information systems and technology

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

Impact on internal controls

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

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

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

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

Business combinations, Section 1582

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

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

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

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

Internal Controls over Financial Reporting and Disclosure Controls

Management has evaluated whether there were changes in our Internal Controls over Financial Reporting (ICFR) during the nine-month period ended September 30, 2010 that have materially affected or are reasonably likely to materially affect our ICFR. There has been no significant change in our risk factors from those described in our 2009

Annual Report. Please see page 39 of McCoy's 2009 Annual Report for a discussion of internal controls over financial reporting and disclosure controls.

Critical Risks and Uncertainties

There has been no significant change in our critical risks and uncertainties from those described in our 2009 Annual Report. Please see pages 39 – 43 of McCoy's 2009 Annual Report.

Outlook

McCoy continues to drive it's commitment toward geographic revenue diversification. Market opportunities exist throughout the world and it is in the best interest of McCoy and our customers to increase our participation in the global energy industry. International marketing channels include direct sales and distributors. 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.

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

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

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

McCoy will continue to integrate its drilling equipment operations of Farr, Superior and PDT in order to gain cost efficiencies, speed up product development and take full advantage of McCoy's sales and marketing group. The manufacturing activities of RP Manufacturing & Calibration have been moved to the Lafayette plant in order to utilize manufacturing efficiencies in Louisiana. Effective October 1, 2010, McCoy has added a VP, Sales and Marketing for the Drillings & Completions division. The VP will play a key role in McCoy's long-term strategy to become and international leader in supplying a full line of drilling and completions products. McCoy is also implementing a new ERP system and will have the entire Drilling & Completions division on the same system by the end of 2011.

McCoy is planning to expand its footprint into the “hub” of the global oil and gas business, Houston, Texas, where our new VP of Sales and Marketing will be located.

The BP disaster in the Gulf of Mexico during the second quarter had an impact on McCoy. We have many customers that operate in the Gulf and these customers have reduced their purchasing of equipment, consumable parts as well as repairs for our hydraulics shop in Lafayette, Louisiana. However, this business, although important, does not represent a significant part of our revenue stream in the Drilling & Completions division. Although the moratorium for offshore drilling activities in the Gulf of Mexico is now officially lifted, there are many uncertainties which will take some time to navigate. New regulations for drilling in the Gulf Coast of the US will likely make the licensing and drilling processes much more complicated, lengthy and expensive. We are not forecasting a significant return to offshore drilling activity in this region over the next twelve months.

McCoy’s EP&S segment is focused on growing its replacement parts and service business for drilling equipment used worldwide. On September 30, 2010, the Board approved a capital expenditure request for organic growth, which will be developed within Superior Manufacturing. This new product line will sell Superior and Farr spare parts along with replacement parts to McCoy’s customers. 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 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. McCoy has ramped up its investment in new product development and will continue to invest in bringing new and innovative ideas to the market.

McCoy is moving forward with a stronger commitment than ever to increase 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.

Acquiring some of the product technologies for our drilling & completions equipment markets is also on the radar. Although product development and geographic expansion is 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.

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 provided efficiencies and reduced operating costs in the near and long-term. McCoy is also realizing greater operational efficiencies through the consolidation of the Peerless Parts and Service operation in Edmonton with the

Edmonton Southside McCoy Service location, providing customers a one-stop parts and services solution.

McCoy has experienced modest recovery in almost all of the Company's business units in 2010. McCoy Trailers is now operating at approximately 75% plant capacity with the largest order backlog in over eighteen months. 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. The current backlog for custom chassis has moved well into 2011.

Overall, 2010 to-date has met McCoy's expectations as a "bridge year" as the energy industry transitions from a recession type market to a more normal market. Provided that commodity prices for oil and natural gas hold up or improve, McCoy would expect to see continued strengthening of financial results in 2011. McCoy entered 2010 with a strong balance sheet and cost reduced operations and anticipates exiting the year in an even stronger position.

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 September 30, 2010 and December 31, 2009

	September 30 2010 (unaudited)	December 31 2009 (audited)
ASSETS		
Current assets:		
Cash	$ 11,920,483	$ 4,871,278
Accounts receivable	15,953,743	9,452,325
Income taxes recoverable	-	4,761,674
Inventories	22,313,794	18,639,987
Current portion of note receivable	39,514	40,358
Prepaid expenses and deposits	663,063	791,886
Future income tax asset	1,711,163	1,542,579
	52,601,760	40,100,087
Note receivable	122,485	155,372
Property, plant and equipment	18,450,035	20,182,423
Intangibles	12,441,832	12,894,664
	$ 83,616,112	$ 73,332,546
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 17,760,333	$ 11,915,194
Income taxes payable	1,350,720	-
Current portion of long-term debt	452,496	844,080
Current portion of obligations under capital lease	393,917	406,220
Current portion of deferred gain	103,597	103,597
	20,061,063	13,269,091
Long-term debt	5,221,256	4,917,420
Obligations under capital lease	550,044	849,672
Deferred gain	647,632	725,330
Future income tax liabilities	1,415,845	1,189,339
	27,895,840	20,950,852
Shareholders' equity		
Share capital (note 4(b))	56,013,787	56,013,787
Contributed surplus (note 4 (e))	3,234,270	2,985,622
Accumulated other comprehensive (loss) income	(135,078)	21,312
Deficit	(3,392,707)	(6,639,027)
	55,720,272	52,381,694
	$ 83,616,112	$ 73,332,546

Interim Consolidated Statement of Deficit

	Three Months Ended		Nine Months Ended	
	September 30 2010	September 30 2009	September 30 2010	September 30 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance – Beginning of period	$(5,345,632)	$ 5,641,146	$(6,639,027)	$ 7,318,337
Dividends declared	-	(264,759)	-	(264,759)
Dividends paid	-	-	-	(529,518)
Net earnings (loss) for the period	1,952,925	(778,798)	3,246,320	(1,926,471)
Balance – End of period	$(3,392,707)	$ 4,597,589	$(3,392,707)	$ 4,597,589

Interim Consolidated Statement of Operations

	Three Months Ended September 30 2010	Three Months Ended September 30 2009	Nine Months Ended September 30 2010	Nine Months Ended September 30 2009
REVENUE	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	$ 33,235,288	$ 22,780,053	$ 88,351,338	$ 77,065,735
Cost of sales	19,038,544	13,796,226	51,499,236	46,212,365
Gross profit	14,196,744	8,983,827	36,852,102	30,853,370
EXPENSES				
Salaries and commissions	6,244,224	4,980,085	16,906,620	17,193,281
Operations	2,729,282	2,663,140	8,262,508	8,534,866
Amortization	1,149,350	1,168,084	3,398,539	3,631,563
Selling	366,451	324,473	1,326,431	1,245,735
Corporate services	404,849	392,194	1,298,222	1,274,608
Interest on debt	87,388	161,738	249,067	572,906
Stock based compensation	95,603	77,076	321,948	273,046
Loss (gain) on foreign exchange	62,923	(6,408)	68,102	290,365
Loss on disposal of property, plant and equipment	16,856	10,600	73,646	35,796
	11,156,926	9,770,982	31,905,083	33,052,166
Earnings (loss) before income taxes	3,039,818	(787,155)	4,947,019	(2,198,796)
Income taxes - current	1,022,315	52,635	1,642,777	337,596
Income taxes - future	64,578	(60,992)	57,922	(609,921)
	1,086,893	(8,357)	1,700,699	(272,325)
Net earnings (loss) for the period	$ 1,952,925	$ (778,798)	$ 3,246,320	$ (1,926,471)
Basic and diluted earnings (loss) per share	$ 0.07	$ (0.03)	$ 0.12	$ (0.07)
Weighted Average Number of Shares				
Basic	26,475,912	26,475,912	26,475,912	26,475,912
Diluted	26,490,787	26,475,912	26,476,268	26,475,912

Interim Consolidated Statement of Other Comprehensive Income

	Three Months Ended		Nine Months Ended	
	September 30 2010	September 30 2009	September 30 2010	September 30 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net earnings (loss)	$ 1,952,925	$ (778,798)	$ 3,246,320	$(1,926,471)
Unrealized loss on translation of self-sustaining foreign operations	(450,453)	(953,000)	(156,390)	(1,884,297)
Other comprehensive income (loss) for the period	$1,502,472	$(1,731,798)	$ 3,089,930	$(3,810,768)

Interim Consolidated Statement of Accumulated Other Comprehensive Loss

	Three Months Ended		Nine Months Ended	
	September 30 2010	September 30 2009	September 30 2010	September 30 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance – Beginning of period	$ 315,375	$ 1,233,842	$ 21,312	$ 2,165,139
Other comprehensive loss	(450,453)	(953,000)	(156,390)	(1,884,297)
Balance – End of period	$ (135,078)	$ 280,842	$ (135,078)	$ 280,842

Consolidated Statement of Cash Flows

	Three Months Ended		Nine Months Ended	
	September 30 2010	September 30 2009	September 30 2010	September 30 2009
Cash provided by (used in)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities:				
Net earnings (loss) for the period	$ 1,952,925	$ (778,798)	3,246,320	$ (1,926,471)
Items not affecting cash				
Amortization	1,149,350	1,168,084	3,398,539	3,631,563
Amortization of deferred gain	(25,900)	(25,899)	(77,698)	(77,698)
Amortization of inventory fair value	-	114,858	-	344,574
Stock based compensation	95,603	77,076	321,948	273,046
Future income taxes	64,578	(60,992)	57,922	(609,921)
Loss on disposal of property, plant and equipment	16,856	10,600	73,646	35,796
Cash flow from operations before the following:	3,253,412	504,929	7,020,677	1,670,889
Net change in non-cash working capital items	3,855,929	2,084,316	1,907,914	5,905,593
	7,109,341	2,589,245	8,928,591	7,576,482
Financing activities:				
Repayment of obligations under capital lease	(101,556)	(496,353)	(299,558)	(1,124,362)
Repayment of long-term debt	(113,124)	(709,104)	(5,987,748)	(2,101,500)
Proceeds from long-term debt	-	-	5,900,000	-
Dividends paid	-	-	-	(529,518)
	(214,680)	(1,205,457)	(387,306)	(3,755,380)
Investing activities:				
Repayment of note receivable	13,410	8,051	33,368	47,319
Purchase of intangibles	(223,020)	-	(435,209)	-
Purchase of property, plant and equipment	(443,347)	(663,153)	(1,041,909)	(2,298,330)
Proceeds from disposal of property, plant and equipment	47,351	8,624	55,915	109,036
Business acquisition costs	-	(1,186,487)	-	(3,030,995)
	(605,606)	(1,832,965)	(1,387,835)	(5,172,970)
Foreign exchange gain on cash held in foreign currency	(120,617)	(204,736)	(104,245)	-
Increase (decrease) in cash	6,168,438	(653,913)	7,049,205	(1,351,868)
Cash - Beginning of period	5,752,045	3,751,911	4,871,278	4,449,866
Cash - End of period	$ 11,920,483	$ 3,097,998	$ 11,920,483	$ 3,097,998

Supplementary information (note 6)

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

1. Basis of Presentation and Accounting Policies

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

2. Recent Accounting Pronouncements Issued and Not Yet Adopted

Business combinations, consolidated financial statements and non-controlling interests

Business combinations, Section 1582

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

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

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

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

3. Segmented Information

Three Months Ended September 30, 2010 (unaudited)

	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
Sales by segment				
Total external sales	19,829,325	13,405,963	-	33,235,288
Total inter-segment sales	2,109,547	1,481,328	(3,590,875)	-
Total sales	21,938,872	14,887,291	(3,590,875)	33,235,288
Cost of sales	11,518,085	11,111,334	(3,590,875)	19,038,544
Gross profit	10,420,787	3,775,957	-	14,196,744
Amortization	769,049	380,301	-	1,149,350
Other expenses	5,587,919	3,126,651	-	8,714,570
	6,356,968	3,506,952	-	9,863,920
Earnings before interest, income taxes and corporate charges	4,063,819	269,005	-	4,332,824
Corporate charges	396,254	792,508	-	1,188,762
Earnings (loss) before income taxes and interest and (loss) gain on disposal of property, plant and equipment	3,667,565	(523,503)	-	3,144,062
(Loss) gain on disposal of property, plant and equipment	(26,447)	9,591	-	(16,856)
Earnings (loss) before income taxes and interest	3,641,118	(513,912)	-	3,127,206
Interest on debt	72,438	14,950	-	87,388
Earnings (loss) before income taxes	3,568,680	(528,862)	-	3,039,818
Income taxes (recovery)	1,294,192	(207,299)	-	1,086,893
Earnings (loss) for the period	2,274,488	(321,563)	-	1,952,925
Total identifiable assets	73,092,748	10,523,364		83,616,112
Additions to property, plant & equipment	386,659	56,688		443,347
Additions to intangibles	208,667	14,353		223,020
Additions to goodwill	-	-		-

Three Months Ended September 30, 2009 (unaudited)

	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
Sales by segment				
Total external sales	15,110,985	7,669,068	-	22,780,053
Total inter-segment sales	854,704	660,556	(1,515,260)	-
Total sales	15,965,689	8,329,624	(1,515,260)	22,780,053
Cost of sales	9,339,377	5,972,109	(1,515,260)	13,796,226
Gross profit	6,626,312	2,357,515	-	8,983,827
Amortization	755,190	412,894	-	1,168,084
Other expenses	4,861,738	2,445,575	-	7,307,313
	5,616,928	2,858,469	-	8,475,397
Earnings (loss) before interest, income taxes and corporate charges	1,009,384	(500,954)	-	508,430
Corporate charges	374,415	748,832	-	1,123,247
Earnings (loss) before income taxes and interest and loss on disposal of property, plant and equipment	634,969	(1,249,786)	-	(614,817)
Loss on disposal of property, plant and equipment	(10,600)	-	-	(10,600)
Earnings (loss) before income taxes and interest	624,369	(1,249,786)	-	(625,417)
Interest on debt	97,203	64,535	-	161,738
Earnings (loss) before income taxes	527,166	(1,314,321)		(787,155)
Income taxes (recovery)	(106,509)	98,152	-	(8,357)
Earnings (loss) for the period	633,675	(1,412,473)	-	(778,798)
Total identifiable assets	52,118,657	34,504,907		86,623,564
Additions to property, plant & equipment	519,256	143,897		663,153
Additions to intangibles	-	-		-
Additions to goodwill	1,186,487	-		1,186,487

Nine Months Ended September 30, 2010 (unaudited)

	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
Sales by segment				
Total external sales	53,125,867	35,225,471	-	88,351,338
Total inter-segment sales	6,383,114	3,646,812	(10,029,926)	-
Total sales	59,508,981	38,872,283	(10,029,926)	88,351,338
Cost of sales	33,033,142	28,496,020	(10,029,926)	51,499,236
Gross profit	26,475,839	10,376,263	-	36,852,102
Amortization	2,244,824	1,153,715	-	3,398,539
Other expenses	16,050,975	8,418,637	-	24,469,612
	18,295,799	9,572,352	-	27,868,151
Earnings before interest, income taxes and corporate charges	8,180,040	803,911	-	8,983,951
Corporate charges	1,238,073	2,476,146	-	3,714,219
Earnings (loss) before income taxes and interest and (loss) gain on disposal of property, plant and equipment	6,941,967	(1,672,235)	-	5,269,732
(Loss) gain on disposal of property, plant and equipment	(83,237)	9,591	-	(73,646)
Earnings (loss) before income taxes and interest	6,858,730	(1,662,644)	-	5,196,086
Interest on debt	221,587	27,480	-	249,067
Earnings (loss) before income taxes	6,637,143	(1,690,124)	-	4,947,019
Income taxes (recovery)	2,281,734	(581,035)	-	1,700,699
Earnings (loss) for the period	4,355,409	(1,109,089)	-	3,246,320
Total identifiable assets	73,092,748	10,523,364		83,616,112
Additions to property, plant & equipment	952,888	89,021		1,041,909
Additions to intangibles	384,282	50,927		435,209
Additions to goodwill	-	-		-

Nine Months Ended September 30, 2009 (unaudited)

	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
Sales by segment				
Total external sales	52,831,374	24,234,361	-	77,065,735
Total inter-segment sales	2,427,088	3,361,015	(5,788,103)	-
Total sales	55,258,462	27,595,376	(5,788,103)	77,065,735
Cost of sales	31,256,056	20,744,412	(5,788,103)	46,212,365
Gross profit	24,002,406	6,850,964	-	30,853,370
Amortization	2,365,313	1,266,250	-	3,631,563
Other expenses	16,864,661	8,439,901	-	25,304,562
	19,229,974	9,706,151	-	28,936,125
Earnings (loss) before interest, income taxes and corporate charges	4,772,432	(2,855,187)	-	1,917,245
Corporate charges	1,169,113	2,338,226	-	3,507,339
Earnings (loss) before income taxes and interest and loss on disposal of property, plant and equipment	3,603,319	(5,193,413)	-	(1,590,094)
Loss on disposal of property, plant and equipment	(10,600)	(25,196)	-	(35,796)
Earnings (loss) before income taxes and interest	3,592,719	(5,218,609)	-	(1,625,890)
Interest on debt	344,700	228,206	-	572,906
Earnings (loss) before income taxes	3,248,019	(5,446,815)	-	(2,198,796)
Income taxes (recovery)	402,273	(674,598)	-	(272,325)
Earnings (loss) for the period	2,845,746	(4,772,217)	-	(1,926,471)
Total identifiable assets	52,118,657	34,504,907		86,623,564
Additions to property, plant & equipment	1,921,423	376,907		2,298,330
Additions to intangibles	-	-		-
Additions to goodwill	2,383,822	-		2,383,822

Geographic information (unaudited)

	Three months ended September 30, 2010		Three months ended September 30, 2009	
	Revenue	Property, plant and equipment and goodwill	Revenue	Property, plant and equipment and goodwill
	$	$	$	$
Canada	17,684,867	16,309,972	9,891,191	25,884,552
US	6,674,412	2,140,063	6,968,642	8,764,090
Asia	3,257,107	-	763,793	-
Middle East	2,019,322	-	1,593,132	-
Australasia	691,851	-	445,111	-
Europe	684,786	-	1,715,786	-
Other	659,042	-	476,838	-
South America	643,254	-	36,924	-
United Kingdom	464,443	-	566,204	-
Mexico	456,204	-	322,432	-
	33,235,288	18,450,035	22,780,053	34,648,642

	Nine months ended September 30, 2010		Nine months ended September 30, 2009	
	Revenue	Property, plant and equipment and goodwill	Revenue	Property, plant and equipment and goodwill
	$	$	$	$
Canada	46,401,583	16,309,972	34,649,067	25,884,552
US	20,051,393	2,140,063	19,494,284	8,764,090
Asia	3,747,812	-	1,929,888	-
Middle East	3,723,653	-	5,698,577	-
Australasia	2,051,340		916,667	-
Europe	3,962,714	-	7,915,247	-
Other	1,117,777	-	3,062,089	-
South America	869,362	-	112,463	-
United Kingdom	5,692,644	-	2,866,530	-
Mexico	733,060	-	420,923	-
	88,351,338	18,450,035	77,065,735	34,648,642

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

4. Share Capital (unaudited)

a. *Authorized*

Unlimited number of common, voting shares

Unlimited number of preferred, non-voting shares

b. *Issued*

	Nine months ended September 30, 2010		Nine months ended September 30, 2009	
	common shares	Amount	common shares	Amount
	#	$	#	$
Balance – Beginning and end of period	26,475,912	56,013,787	26,475,912	56,013,787

c. *Options*

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

	Number of common shares under option	Weighted average exercise price
	#	$
Outstanding – December 31, 2009	630,000	5.75
Expired	(15,000)	4.93
Cancelled	(100,000)	1.45
Granted	730,000	1.46
Outstanding – September 30, 2010	1,245,000	3.59

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

Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable
#	(years)	$	#
635,000	4.34	1.45	101,666
90,000	2.41	3.07	59,999
265,000	1.48	5.57	265,000
255,000	0.67	7.01	255,000
1,245,000	2.84	3.59	681,665

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 nine-months ended September 30:

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

Application of the fair value method resulted in a charge to stock-based compensation expense of $321,948 (2009 – $273,046) with a corresponding credit to contributed surplus.

d. Stock-based compensation expense

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

	Three Months Ended		Nine Months Ended	
	September 30 2010 $	September 30 2009 $	September 30 2010 $	September 30 2009 $
Stock options	62,971	81,266	264,589	326,615
Cancelled unvested stock options	(15,941)	(13,144)	(15,941)	(62,523)
Deferred share units	48,573	8,954	73,300	8,954
	95,603	77,076	321,948	273,046

e. Contributed surplus

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

	2010 $	2009 $
Contributed surplus – Beginning of period	2,985,622	2,653,421
Stock-based compensation expense	264,589	400,045
Cancellation of unvested stock options	(15,941)	(67,844)
Contributed surplus – End of period	3,234,270	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 nine months ended September 30, 2010, no common shares were repurchased.

The Normal Course Issuer Bid expired on October 4, 2010 and was not renewed.

5. Earnings Per Share (unaudited)

The following table sets forth the details of the denominator used for the computation of basic and diluted earnings per share for the periods ended September 30, 2010 and 2009:

	Three months ended September 30, 2010			Three months ended September 30, 2009		
	Earnings (numerator) **$**	**Shares** (denominator) **#**	**Per share amount $**	**Loss** (numerator) **$**	**Shares** (denominator) **#**	**Per share amount $**
Basic earnings (loss) per share						
Earnings (loss) available to common shareholders	1,952,925	26,475,912	0.07	(778,798)	26,475,912	(0.03)
Diluted earnings (loss) per share						
Dilutive effect of options		14,875			-	
Earnings (loss) available to common shareholders	1,952,925	26,490,787	0.07	(778,798)	26,475,912	(0.03)

	Nine months ended September 30, 2010			Nine months ended September 30, 2009		
	Earnings (numerator) **$**	**Shares** (denominator) **#**	**Per share amount $**	**Loss** (numerator) **$**	**Shares** (denominator) **#**	**Per share amount $**
Basic earnings (loss) per share						
Earnings (loss) available to common shareholders	3,246,320	26,475,912	0.12	(1,926,471)	26,475,912	(0.07)
Diluted earnings (loss) per share						
Dilutive effect of options		356			-	
Earnings (loss) available to common shareholders	3,246,320	26,476,268	0.12	(1,926,471)	26,475,912	(0.07)

6. Supplementary cash flow information (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30 2010 $	**September 30 2009 $**	**September 30 2010 $**	**September 30 2009 $**
Income taxes received	714,253	702,249	4,514,924	702,249
Income taxes paid	1,411	-	45,307	2,911,142
Interest paid	87,388	161,738	249,067	572,906