MCCOY
MOVING GLOBAL ENERGY FORWARD

LETTER TO SHAREHOLDERS

The second quarter of 2011 continued to be positive for McCoy due to increased global demand for all of McCoy's products and services and greater production capacity. McCoy experienced record revenues from continuing operations for the second quarter of 2011 and earnings increased by 196 percent from the second quarter of 2010 to $0.12 per share, returning to levels achieved before the economic downturn in 2008.

The performance of the Energy Products & Services ("EP&S") segment was also robust. This segment increased plant production closer to market demand during the second quarter. The EP&S segment reported $22.4 million in sales for the quarter, up from $19.9 million in 2010, an increase of 12 percent.

Our Mobile Solutions segment performed well during the second quarter, with $18.6 million in sales for the division, up from $6.8 million in the same quarter of 2010, an increase of 174 percent. These sales represent a gross profit margin of 21 percent for 2011. Strong market demand for custom chassis related to the build up of pressure pumping equipment in North America has been the major revenue contributor.

McCoy sold its wholly-owned subsidiary, Rebel Metal Fabricators Ltd., effective June 30, 2011. Rebel was part of the Corporation's Mobile Solutions segment and made up the Vac & Hydrovac division. The sale of Rebel did not materially impact our financial and operating results. As with the sale of McCoy's Parts & Service business in 2010, the sale of Rebel is an important step in focusing the Corporation on providing products and services to the global energy industry.

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

($000)	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Total revenue	38,834	32,897	31,351	26,908	23,701
Net earnings from continuing operations	3,277	1,897	1,950	1,838	1,198
Net earnings	3,284	1,821	1,861	1,945	1,108
EBITDAS[(1)]	6,154	4,068	4,297	4,110	2,985

McCoy continued to focus on new product development as part of the organic growth strategy. The prototype for McCoy's new Iron Roughneck began production in the second quarter and we are on track to enter field testing later in the year. We expect the new Iron Roughneck to be market ready at the beginning of 2012.Many other new product projects are also underway that will enter the market in the future.

McCoy has an enviable cash position with little debt and strong earnings. We are directing some of our cash flow to shareholders through the payment of a quarterly dividend of $0.01 per common share. The quarterly dividend was reinstated by the Board in the first quarter of 2011. McCoy's dividend rewards shareholders while ensuring sufficient capital for growth. Management continues to pursue both organic and strategic acquisition growth opportunities.

Management remains focused on the strategy of becoming the trusted supplier of high quality products for the international oil and gas industry. The market trends are positive for both the short and long term. We are committed to ensuring the Corporation is well positioned with the right people, technology and service levels to make McCoy the supplier of choice.

Jim Rakievich
President & Chief Executive Officer
August 3, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This interim Management's Discussion and Analysis ("MD&A"), dated August 3, 2011, should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2010, the unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2011 and supporting notes, and the unaudited interim condensed consolidated financial statements as at and for the three months ended June 30, 2011 and supporting notes.

As of January 1, 2011, McCoy adopted International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The following unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting. A reconciliation of the previously disclosed comparative periods' financial statements for fiscal 2010 prepared in accordance with Canadian generally accepted accounting principles to IFRS is set out in Note 4 to these financial statements. 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

The MD&A contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, the MD&A contains forward-looking statements and information concerning McCoy's acquisition strategy, future development and growth prospects, ability to meet current and future obligations, currency, exchange and interest rates and the Corporation's future financial performance. The forward-looking statements and information are based on certain key expectations and assumptions made by McCoy, including expectations and assumptions concerning fluctuations in the level of oil and gas industry capital expenditures, McCoy's ability to integrate acquired businesses and complete strategic acquisitions of additional business and other factors that affect demand for McCoy's products. Although McCoy believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because McCoy can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause McCoy's actual results and experience to differ materially from the anticipated results or expectations expressed. These risks and uncertainties, include, but are not limited to, fluctuations in oil and gas prices, fluctuations in the level of oil and gas industry capital expenditures and other factors that affect demand for McCoy's products, industry competition, the need to effectively integrate acquired businesses, uncertainties as to McCoy's ability to implement its business strategy effectively in Canada and the United States, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments, political and economic conditions and McCoy's ability to attract and retain key personnel. Additional information on these and other factors is available in the continuous disclosure materials filed by McCoy with Canadian securities regulators. Readers are cautioned not to place undue reliance on this forward-looking

information, which is given as of the date it is expressed in the MD&A or otherwise, and not to use future-oriented information or financial outlooks for anything other than their intended purpose. McCoy undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

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.

In 2010, McCoy unveiled its new brand and simplified its structure from three segments to two: Energy Products & Services and Mobile Solutions. Also, in December 2010, McCoy made a change to its business structure by moving its McCoy Vac & Hydrovac division from the Energy Products & Services ("EP&S") segment to the Mobile Solutions segment. This was done to ensure like services were aligned in each segment.

McCoy sold its Parts & Service business in December 2010 and its Vac & Hydrovac business in June 2011, both of which were formerly part of the Mobile Solutions segment. These

divestitures were an important step in focusing the Corporation on providing products and services to the global energy industry.

Energy Products & Services Overview

Energy Products & Services is engaged in the design, manufacture and distribution of drilling and completions equipment, service and replacement parts for the global oil and gas industry, as well as a range of coatings and hydraulic manufacturing and repair services. It is comprised of two divisions: Drilling & Completions and Coatings & Hydraulics.

The Drilling & Completions division consists of Farr Canada Corp. ("Farr"), located in Edmonton, Alberta; Superior Manufacturing & Hydraulics, Inc. ("Superior") and Precision Die Technologies, L.L.C. ("PDT") both located in Lafayette, Louisiana. McCoy Coatings & Hydraulics consists of Inotec Coatings and Hydraulics Inc. ("Inotec") located in Edmonton, Alberta.

The Corporation 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 Manufacturing & Calibration ("RP") during the first quarter of 2009.

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

a) through increasing the proportion of international sales and focusing on growth markets such as global offshore 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 and services that provide McCoy with a competitive advantage using innovative technologies.

Mobile Solutions Overview

Mobile Solutions consists of the McCoy Trailers division and the Corporation's 50% interest in Prairie Truck Ltd., an International Truck dealership in the business of truck sales, parts and service, located in Grande Prairie, Alberta. This segment included the McCoy Parts & Service division, which was sold in December 2010, and the McCoy Vac & Hydrovac division, which was sold in June 2011. These companies were sold to enhance McCoy's focus on products and services for the global energy industry.

McCoy Trailers is involved in the manufacture and sale of custom heavy-duty trailers largely used in the oil and gas industry for multi-stage fracturing, rig transportation and heavy haul and is focused on serving oil and gas clients operating in the Western Canadian Sedimentary Basin ("WCSB"), the United States as well as through export to China, Australia and the Middle East, and also includes product offerings in wind energy and infrastructure transportation markets.

McCoy Trailers consists of Peerless Limited ("Peerless") which is located in Penticton, British Columbia where both the Peerless and Scona branded trailers are manufactured.

In addition to the wholly owned Penticton facility, McCoy Trailers utilizes two sub-contract manufacturing facilities in the US; one is located in Arkansas and the other in Texas. These

contract manufacturers provide additional manufacturing capacity during market peaks similar to what we are currently experiencing.

This segment is aggressively pursuing market expansion into the United States and, through targeted export channels, to overseas oil and gas markets. Engineering expertise is being utilized to develop innovative products for the wind energy and specialized transportation markets.

McCoy is the market leader in the design and manufacture of custom drilling and well servicing chassis trailers used in fracturing and workover operations, and particularly in shale oil and gas applications. The Peerless brand has a leading market position in North America and has made inroads into the UK, the Middle East and Australia.

Discontinued Operations

Effective December 31, 2010, the Truck and Trailer Parts & Services division of McCoy and the service and parts division of Peerless Limited ("McCoy Parts & Service") were sold.

Effective June 30, 2011, Rebel Metal Fabricators Ltd., which made up the Vac & Hydrovac division ("McCoy Vac & Hydrovac") of McCoy was sold.

Operating results related to McCoy Parts & Service and McCoy Vac & Hydrovac have been included in net income from discontinued operations in the Consolidated Statement of Comprehensive Income.

These were strategic divestitures for McCoy allowing the Corporation to focus on global expansion in the energy industry and grow our most profitable businesses in the EP&S and Mobile Solutions segments. The proceeds, along with McCoy's existing net cash position, will be used to support and invest in McCoy's strategic growth plans in the global energy industry.

Three Months Ended June 30

($000 except per share amounts)	IFRS 2011 $	IFRS 2010 $	CGAAP 2009 $
Total revenue	38,834	23,701	18,396
Net earnings (loss) for the period from continuing operations	3,277	1,198	(1,022)
Net earnings (loss) for the period	3,284	1,108	(1,479)
Basic earnings (loss) per share from continuing operations	0.12	0.05	(0.04)
Basic earnings (loss) per share	0.12	0.04	(0.06)
Diluted earnings (loss) per share from continuing operations	0.12	0.05	(0.04)
Diluted earnings (loss) per share	0.12	0.04	(0.06)
Earnings (loss) from continuing operations before other and income taxes for the period[(1)]	4,847	1,791	(1,319)
Basic earnings (loss) from continuing operations before other and income taxes per share	0.18	0.07	(0.05)
Diluted earnings (loss) from continuing operations before other and income taxes per share	0.18	0.07	(0.05)
EBITDAS[(1)]	6,154	2,985	26
EBITDAS[(1)] per share	0.23	0.11	(0.01)
Cash flow generated from continuing operating activities	1,777	2,762	2,318
Cash flow generated from continuing operating activities per share	0.07	0.10	0.09

While rig counts have increased substantially over the last year they still remain slightly below 2008 peak levels; however, McCoy's financial performance has continued to improve. Revenues from continuing operations are higher than the previously set record revenues from the third quarter of 2008 when revenues from continuing operations were $36.8 million. Total revenue from continuing operations has increased by 18% from the first quarter of 2011 despite the decrease in the worldwide rig count of 5% from March to June 2011.[a] The North America

[a] Baker Hughes, Inc. Investor Relations, http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, accessed July 2011.

rotary rig count has increased by 6% from March to June 2011[b], which is where McCoy has made the largest gains in revenues as revenues from North America have increased by 18% from the first quarter of 2011 mainly from the McCoy Trailers division. McCoy's order backlog remains strong; Management has confidence for the remainder of 2011, however it is difficult to predict where the market will be in 2012 and beyond.

Net earnings from continuing operations for the second quarter of 2011 have increased to 8% as a percentage of revenue from 5% for the same period in 2010. EBITDAS(1) also increased to 16% as a percentage of revenue from 13% in 2010. These increases are attributable to McCoy reducing its operating expenses to 16% of revenues for the second quarter of 2011 compared to 21% for the same period in 2010. Furthermore, in the Mobile Solutions segment, along with the efficiencies gained from the improved manufacturing processes, profitability has continued to improve as a result of the sharp rebound in the rig moving and pressure pumping markets. Over the last two years surplus manufacturing capacity in the industry has been largely consumed and demand has surpassed supply, leading to a healthy backlog for the Mobile Solutions segment. The Trailer division of this segment has subcontracted two trailer manufacturing plants in the southern U.S. in order to keep up with demand. These agreements have allowed for an increase in Trailer revenues by approximately 36%.

The Board of Directors has reinstated a quarterly dividend of $0.01 per common share starting the first quarter of 2011.

Dividend Declared	Dividend Paid	Amount per Common Share $
May 19, 2011	June 30, 2011	$0.01
March 17, 2011	April 11, 2011	$0.04
March 10, 2011	March 31, 2011	$0.01
September 17, 2009	October 15, 2009	$0.01
May 29, 2009	June 30, 2009	$0.01
February 26, 2009	March 31, 2009	$0.01
December 4, 2008	December 31, 2008	$0.03

A dividend was not declared during 2010 and the fourth quarter of 2009 as the Board of Directors felt that it was prudent to preserve cash given the uncertainty in market conditions and to ensure availability of future growth capital.

On March 17, 2011, McCoy's Board of Directors declared a special dividend of $0.04 per common share, which was paid on April 11, 2011. The special dividend was declared as a result of McCoy's 2010 financial results and the strategic sale of McCoy Parts & Service. The special dividend continues McCoy's philosophy of rewarding long-term shareholders while keeping the momentum of building McCoy's balance sheet strength and investing in growth.

[b] Baker Hughes, Inc. Investor Relations, http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, accessed July 2011.

Six Months Ended June 30

	IFRS		CGAAP
	2011	**2010**	**2009**
($000 except per share amounts)	**$**	**$**	**$**
Total revenue	71,731	42,509	43,326
Net earnings (loss) for the period from continuing operations	5,174	1,931	(515)
Net earnings (loss) for the period	5,105	1,544	(1,148)
Basic earnings (loss) per share from continuing operations	0.19	0.07	(0.02)
Basic earnings (loss) per share	0.19	0.06	(0.04)
Diluted earnings (loss) per share from continuing operations	0.19	0.07	(0.02)
Diluted earnings (loss) per share	0.19	0.06	(0.04)
Earnings (loss) from continuing operations before other and income taxes for the period[1]	7,628	2,765	(501)
Basic earnings (loss) from continuing operations before other and income taxes per share	0.29	0.10	(0.02)
Diluted earnings (loss) from continuing operations before other and income taxes per share	0.28	0.10	(0.02)
EBITDAS[1]	10,222	5,125	2,342
EBITDAS[1] per share	0.39	0.19	0.09
Cash flow generated from continuing operating activities	3,096	2,195	4,708
Cash flow generated from continuing operating activities per share	0.12	0.08	0.18
Total Assets	91,907	81,018	89,943
Total Liabilities	29,100	23,698	24,205
Total Long-term Liabilities	9,084	8,752	8,857

[1] Non-GAAP Measurements

Earnings from continuing operations before other and income taxes for the period is a non-GAAP measurement defined as "earnings from continuing operations before the impact of other gains and losses and income taxes". Earnings from continuing operations before other and income taxes for the period is a key measure used by management to evaluate earnings from operations.

EBITDAS is a non-GAAP measurement defined as "earnings from continuing operations before other non-recurring items, interest, taxes, depreciation, amortization and share-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 from continuing operations before 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 to 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.

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

	IFRS		CGAAP
	2011	**2010**	**2009**
($000)	**$**	**$**	**$**
Net earnings (loss) for the year from continuing operations	3,277	1,198	(1,022)
Income taxes (recovery)	1,617	593	(322)
Interest on debt	40	100	199
Amortization	1,082	1,000	1,131
EBITDA	**6,016**	**2,891**	**(14)**
Share-based compensation	138	94	40
EBITDAS	**6,154**	**2,985**	**26**

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

	IFRS		CGAAP
	2011	**2010**	**2009**
($000)	**$**	**$**	**$**
Net earnings (loss) for the year from continuing operations	5,174	1,931	(515)
Income taxes	2,513	777	(11)
Interest on debt	106	160	396
Amortization	2,129	2,031	2,276
EBITDA	**9,922**	**4,899**	**2,146**
Share-based compensation	300	226	196
EBITDAS	**10,222**	**5,125**	**2,342**

Results of Operations

Sales by Operating Segment – Three Months Ended June 30

	Energy Products & Services	**Mobile Solutions**	**Inter-Segment Eliminations**	**Total**
($000 except percentages)	**$**	**$**	**$**	**$**
2011 sales	22,411	18,576	(2,153)	38,834
2010 sales	19,924	6,774	(2,997)	23,701
Annual Percentage Increase	12%	174%		64%

Sales by Operating Segment – Six Months Ended June 30

($000 except percentages)	Energy Products & Services $	Mobile Solutions $	Inter-Segment Eliminations $	Total $
2011 sales	41,993	32,928	(3,190)	71,731
2010 sales	35,222	11,706	(4,419)	42,509
Annual Percentage Increase	19%	181%		69%

Revenue for the EP&S segment increased by 12% or $2.5 million to $22.4 million in the second quarter of 2011 from sales of $19.9 million for the same period of 2010 due to increased spending in the drilling equipment market in these comparative quarters. The worldwide rig count has increased by 14% from Q2 of 2010 and the North America rotary rig count has increased by 21% from Q1 of 2010.[c] International drilling activity continues to be a bright light as international sales remain strong in certain countries due to the strong 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 Solutions segments.

While rig counts have increased substantially over the last year they still remain slightly below 2008 peak levels; however, McCoy is experiencing increases for both quoting and orders. Capital equipment orders for drilling & completions projects typically lag the immediate increase in drilling rig activity and this cycle is no exception. EP&S continues to experience a strong backlog build up, and the revenue pipeline for drilling and completions equipment has recovered to 2008 levels. If drilling activity levels drop, the improving demand for capital equipment could be derailed.

The Coatings & Hydraulics division of the EP&S segment has 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 steady recovery as our customers have worked 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.

[c] Baker Hughes, Inc. Investor Relations, http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm, accessed July 2011.

The Mobile Solutions segment experienced an increase in revenue of $11.8 million, from $6.8 million in the second quarter of 2010 to $18.6 million for the same period in 2011. The increase is primarily due to the continued recovery in conventional oil and gas activity in the WCSB and the U.S. land market, 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.

The Trailers division of the Mobile Solutions segment has been successful in generating revenue above forecast and has almost tripled the revenues for the same period in 2010, primarily due to steady demand for more horsepower for multi-stage fracturing. Capital equipment spending is continuing by pressure pumping companies. The Marcellus, Barnett, Woodford, Eagle Ford and Haynesville shale plays are drawing fracturing and rig moving equipment into the regions.

The sales backlog for the Trailers division remains strong, primarily in the well stimulation, well servicing and custom drilling trailer markets, both in Canada and the United States. McCoy is the market leader for these custom products in North America.

The Penticton plant is operating above 90% capacity. Additional plant capacity has been achieved by subcontracting two trailer manufacturing plants in the southern U.S. These facilities are much closer to our US customers and have allowed us to increase revenue in advance of plan.

Gross Profit by Operating Segment – Three Months Ended June 30

($000 except percentages)	**Energy Products & Services** $	**Mobile Solutions** $	**Total** $
2011 Gross Profit	7,150	3,872	11,022
% of Sales	32%	21%	28%
2010 Gross Profit	5,461	1,343	6,804
% of Sales	27%	20%	29%
Annual Percentage Increase (Decrease)	5%	1%	(1%)

Gross Profit by Operating Segment – Six Months Ended June 30

($000 except percentages)	Energy Products & Services $	Mobile Solutions $	Total $
2011 Gross Profit	13,145	6,867	20,012
% of Sales	31%	21%	28%
2010 Gross Profit	9,933	2,293	12,226
% of Sales	28%	20%	29%
Annual Percentage Increase (Decrease)	3%	1%	(1%)

Consolidated gross profit percentage is at 28% for the second quarter of 2011 which is slightly lower than the gross profit of 29% for the second quarter of 2010. Gross margin has remained consistent even though the revenue mix includes a greater percentage of revenues from the Mobile Solutions segment, which has lower margins than EP&S. This is a result of McCoy's continued monitoring and reduction of overhead costs where possible to ensure protection of the gross profit in times of increased activity.

EP&S increased gross profit by 31% or $1.7 million, from $5.5 million for the second quarter of 2010 to $7.2 million for the same period of 2011. 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 2010 due to manufacturing efficiencies.

Mobile Solutions segment's gross profit increased by $2.5 million or 188%, from $1.3 million for the second quarter of 2010 to $3.8 million for the same period in 2011. This increase relates directly to increased activity in the North American market.

General and Administration

General and administration expenses increased by $1.3 million, or 41%, for the second quarter of 2011 to $4.5 million, compared to $3.2 million in the same period of 2010. This increase is less than expected as revenues for the second quarter of 2011 have increased by 64% compared to revenues for the same period of 2010. As a percentage of revenue, general and administrative expenses are 12% for the second quarter of 2011 compared to 13% for the same period of 2010. The reduction of general and administration expenses as a percentage of revenue is primarily due to the increase in revenues, but also efficiencies attained by McCoy in most of the categories of costs included in general and administration expenses

Included in general and administration costs for the second quarter of 2011 are foreign exchange losses of $0.01 million compared to foreign exchange gains of $0.14 million for the same period of 2010. The increase in the foreign exchange loss is a result of the strengthening Canadian dollar against the U.S. dollar during the second quarter of 2011. The quarterly loss is the net effect of exchange rate fluctuations on the translation of foreign currency balances to Canadian dollar balances as at June 30, 2011, as well as the conversion of certain U.S. dollar balances to avoid draws on the line of credit.

McCoy typically holds a positive 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. The subcontracted trailer manufacturing plants in the southern U.S. have mitigated a portion of the foreign exchange risk by matching costs and revenues in a common currency. 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.

Management expects that the general and administration costs will continue to decrease as a percentage of revenues throughout the year as revenues increase.

Sales and Marketing

Sales and marketing expenses have remained consistent at $1.7 million for the second quarters of 2011 and 2010. As a percentage of revenue, sales and marketing expenses are 4% for the second quarter of 2011 compared to 7% for the same period in 2010 representing a decrease of 3%. This decrease is attributable to the fact that certain sales and marketing costs, such as trade show expenses, have remained similar to the second quarter of 2010, however as revenues are 64% higher when comparing the second quarter of 2011 to the second quarter of 2010, this expense to revenue comparison has been diluted. Management expects this trend to continue throughout the year.

Interest

Interest on debt of $0.04 million for the second quarter of 2011 is lower than the $0.10 million experienced during the second quarter of 2010. This is expected due to the lower level of debt that McCoy has. Management expects the level of interest to be consistent throughout the year, with any changes corresponding to fluctuations in the prime rates in Canada and the U.S.

Summary of Quarterly Results ($000's)

($000 except per share amounts)	IFRS						Canadian GAAP	
	2011		2010				2009	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
	$	$	$	$	$	$	$	$
Total revenue	38,834	32,897	31,351	26,908	23,701	18,808	16,587	17,636
Net earnings (loss) from continuing operations	3,277	1,897	1,950	1,838	1,198	733	(10,677)	(602)
Net earnings (loss)	3,284	1,821	1,861	1,945	1,108	436	(11,237)	(779)
Basic earnings (loss) per share from continuing operations	0.12	0.07	0.07	0.07	0.05	0.03	(0.40)	(0.02)
Basic earnings (loss) per share	0.12	0.07	0.07	0.07	0.04	0.02	(0.42)	(0.03)
Diluted earnings (loss) per share from continuing operations	0.12	0.07	0.07	0.07	0.05	0.03	(0.40)	(0.02)
Diluted earnings (loss) per share	0.12	0.07	0.07	0.07	0.04	0.02	(0.42)	(0.03)

The second quarter of 2011 reflects record revenues from continuing operations for McCoy due to improved activity in North America and internationally as order books have remained strong in both McCoy segments. McCoy anticipates continued strengthening of financial results and activity in 2011 and is positioned well to benefit from the additional activity.

Net earnings from continuing operations as a percentage of revenue have increased to 8% for the second quarter of 2011 from 6% for the first quarter of 2011 and this trend is expected to continue.

In Q4 2009, earnings were impacted by a $12.7 million impairment of goodwill.

Liquidity and Capital Resources

Three Months Ended June 30

	IFRS		CGAAP
	2011	2010	2009
($000)	$	$	$
Cash generated by operating activities	1,605	2,174	1,993
Cash used in investing activities	(1,043)	(346)	(1,318)
Cash used in financing activities	(851)	(214)	(1,009)
Foreign exchange loss on cash held in foreign currency	8	84	90
(Decrease) increase in cash	**(281)**	**1,698**	**(244)**

Cash flow generated by operating activities for the three months ended June 30, 2011 decreased by $0.6 million compared to the same period in 2010. The majority of this decrease is comprised of increased income tax payments of $4.2 million offset by an increase of $3.2 million related to the increase in EBITDAS(1) for the period along with reduction of $0.4 million used in discontinued operating activities.

Cash used in investing activities increased by $0.6 million for the second quarter of 2011 compared to the same period in 2010. This increase is net of a $0.1 million payment received on a note receivable and $0.3 million of proceeds received from the sale of assets held for sale during the second quarter of 2011. The majority of the increase is comprised of budgeted capital expenditures. The nature and purpose of these expenditures is mostly equipment purchases. The expected source of funds for these capital purchases is operating cash flows. McCoy also had cash on hand at June 30, 2011 of $15.6 million and $10 million is available under its Canadian credit facility. As at June 30, 2011, based on the levels of accounts receivable and inventories used to calculate the available credit, McCoy has access to $8.77 million of the Canadian credit facility. McCoy also has U.S. $2.15 million available under two U.S. operating line of credit facilities.

Cash used in financing activities increased by $0.6 million for the second quarter of 2011 compared to the same period in 2010. During the second quarter of 2011, McCoy received additional funds as a result of financing the Houston sales office of $0.6 million; therefore, McCoy experienced cash flows from financing. McCoy also received $0.1 million from the issuance of shares by an employee exercising share options. McCoy's Board reinstated the quarterly dividend starting 2011 and declared and paid the regular quarterly dividend of $0.27 million during 2011 compared to $nil during the second quarter of 2010 as the Board thought it prudent to conserve cash given current economic uncertainty and to ensure the availability of growth capital. As a result of McCoy's 2010 financial results and the strategic sale of McCoy Parts & Service a special dividend of $1.06 million was declared during the first quarter of 2011 and was paid in the second quarter.

Management believes that, with the projected level of operations for 2011 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.

Debt to Equity Ratio

June 30, 2011	December 31, 2010	June 30, 2010
0.46 to 1	0.43 to 1	0.41 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, notes receivable, accounts payable and accrued liabilities, long-term debt and obligations under capital lease.

Classification of Financial Instruments

McCoy has designated its financial instruments as follows:

Financial Instrument	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Notes receivable	Loans and receivables	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Borrowings	Other liabilities	Amortized cost
Finance lease liabilities	Other liabilities	Amortized cost

As at June 30, 2011 and 2010, McCoy did not have any financial assets classified as available-for-sale or held-to-maturity.

Financial Risk Management

McCoy's activities are exposed to a variety of financial risks of varying degrees of significance, which could affect the Corporation's ability to achieve strategic objectives. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Corporation's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance. The principal financial risks to which the Corporation is exposed are described below:

Foreign Currency Risk

McCoy operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The large ratio of international sales the Corporation has experienced,

which are principally in U.S. dollars, may increase the risk of this exposure as U.S. dollar purchasing may not be enough to offset these international sales or the timing of U.S. dollar purchases may not correspond in any given quarter, yielding unrealized foreign exchange losses. If the businesses that sell in U.S. dollars are not able to continue to improve productivity and increase prices then margins could also be impacted. This risk is mitigated by subcontracting the two trailer manufacturing plants located in the southern U.S., as costs incurred are in U.S. dollars with the majority of sales in Canadian dollars. A $0.01 change in the Canadian dollar to U.S. dollar foreign exchange rate would result in an exchange gain or loss of approximately $0.09 million. The Corporation is also exposed to foreign exchange risk through its net investments in foreign operations and a $0.01 change in the Canadian dollar to U.S. dollar foreign exchange rate would result in a change in other comprehensive income of approximately $0.01 million.

Interest Rate Risk

McCoy is subject to interest rate risk which arises from its floating rate borrowings and finance lease liabilities. McCoy does not currently hold any financial instruments that mitigate this risk and management believes that the impact of interest rate fluctuation will not be significant. For each 1% change in the rate of interest on loans subject to floating rates, the change in annual interest expense is approximately $0.06 million (June 30, 2010 – $0.07 million) based upon applicable debt balances at June 30, 2011.

Credit Risk

McCoy is exposed to credit risk through its accounts receivable from 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. Allowances are provided for potential losses that may be 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 $0.13 million (December 31, 2010 – $0.21 million). McCoy also has foreign sales which are normally paid prior to shipping. For the periods ended June 30, 2011 and June 30, 2010, McCoy did not have any customers that represented greater than 10% of its revenue.

As of June 30, 2011, trade receivables of $15.23 million were fully performing (December 31, 2010 – $7.87 million). The credit quality of these receivables is determined based on credit evaluations and management's past experience with the customers.

As of June 30, 2011, trade receivables of $2.82 million were past due but not impaired (December 31, 2010 – $5.09 million). These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	June 30 2011 $	December 31 2010 $
0 to 30 days (current)	15,120	6,872
31 to 60 days	2,014	3,552
61 to 120 days	884	2,648
Over 120 days	179	89
Sub-total accounts receivable	18,197	13,161
Less: Allowance for doubtful accounts	134	211
Trade receivables	18,063	12,950
Prepaid expenses	600	1,020
Other receivables	918	2,971
Total trade and other receivables	19,581	16,941

As of June 30, 2011, trade receivables of $0.12 million had indications of possible impairment (December 31, 2010 – $0.20 million). The individually impaired receivables mainly relate to customers which are in difficult economic situations. Management has determined on a customer by customer basis that an impairment provision of $0.13 million is sufficient to cover any further collection risk on these receivables.

Movements on the Corporation's provision for impairment of trade receivables are as follows:

	2011 $
At January 1	211
Provision for receivables impairment	(58)
Provision related to discontinued operations	(24)
Receivables written off during the period as uncollectible	5
At June 30	134

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the ability of funding through an adequate amount of committed credit lines. The Corporation aims to maintain flexibility in funding by keeping committed credit lines available. Cash on hand at the period end was $15.6 million and $8.77 million was available under the Canadian credit facility and U.S. $2.15 million was available under two U.S. operating line of credit facilities as at June 30, 2011.

The following table shows the maturity analysis of financial liabilities based on remaining contractual maturities (assuming no renewals):

As at June 30, 2011	Trade and other payables $	Finance lease liabilities $	Borrowings $	Total $
2011	16,803	163	252	17,218
2012	-	249	505	754
2013	-	186	505	691
2014	-	33	505	538
2015	-	6	3,803	3,809
Thereafter	-	-	351	351
	16,803	637	5,921	23,361

As at December 31, 2010	Trade and other payables $	Finance lease liabilities $	Borrowings $	Total $
2011	14,910	362	452	15,724
2012	-	252	452	704
2013	-	187	452	639
2014	-	33	452	485
2015	-	5	3,752	3,757
Thereafter	-	-	-	-
	14,910	839	5,560	21,309

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 notes receivable, borrowings and finance lease liabilities approximate their carrying values since their stated interest rates approximate the market interest rates at June 30, 2011 and December 31, 2010.

Capital Management

The Corporation's objectives when managing its capital are to safeguard the Corporation'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's capital is as follows:

($000)	June 30 2011 $	December 31 2010 $
Borrowings	5,442	5,108
Finance lease liabilities	310	477
Total long-term debt	**5,752**	**5,585**
Shareholders' equity	62,807	60,215
Total equity	**62,807**	**60,215**
Total capital	**68,559**	**65,800**

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, the Corporation may assume additional debt, issue new shares, or sell assets to reduce debt.

McCoy's key financial covenant with its lender is Funded Debt to EBITDA(1), calculated on a rolling four quarter basis, as a result of a financing agreement executed on January 29, 2010.

The following table sets forth the calculation of Funded Debt to EBITDA(1):

($000 except ratios)	June 30 2011 $	December 31 2010 $
Current portion of borrowings	479	452
Current portion of finance lease obligations	327	362
Borrowings	5,442	5,108
Finance lease obligations	310	477
Less: Canadian denominated cash on deposit	(1,763)	(7,151)
Total Funded Debt	**4,795**	**(752)**
Normalized rolling four quarter EBITDA(1)	**18,191**	**13,168**
Funded Debt to EBITDA(1)	**0.26**	**(0.06)**

The change in the Funded Debt to EBITDA(1) ratio was mainly due to the fact that the Corporation has less Canadian denominated cash on deposit than funded debt. Capital management objectives, policies and procedures were unchanged since the last period.

The Corporation's lending requirements as per the financing agreement executed on January 29, 2010 are subject to:

- Maintenance of the ratio of current assets to current liabilities of no less than 1.25:1
- Funded Debt to EBITDA(1), calculated on a rolling four-quarter basis, of 2.50:1 or less;
- An EBITDA(1) to interest expense plus the current portion of long-term debt ratio of greater than 1.20 to 1; and

- Starting 2011, an additional payment to a maximum of $0.25 million per year is required if EBITDAS[(1)] is less than $5.0 million per year.

Inventories

($000)	June 30, 2011	December 31, 2010
Raw materials	3,157	2,396
Work-in-progress	5,604	5,550
Finished goods	8,635	6,942
	17,396	14,888

During the six months ended June 30, 2011, cost of sales was $51.7 million (2010 – $30.3 million), which included $45.0 million (2010 – $24.3 million) of costs associated with inventory and $0.04 million of inventory recoveries (2010 – write-downs of $0.50 million).

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	2011	2012	2013	2014	2015	Thereafter
Operating lease obligations	12,181	1,054	1,901	1,667	1,632	1,618	4,309
Finance lease liabilities	685	181	271	193	34	6	-
Borrowings	5,921	252	505	505	505	3,803	351
Total	18,787	1,487	2,677	2,365	2,171	5,427	4,660

Transactions with Related Parties

Rental expense

A subsidiary of the Corporation entered into lease agreements with a company owned by certain directors. These individuals are also directors of Foundation Equity Corporation, a 43% shareholder of the Corporation. Minimum annual lease payments are $0.75 million per annum until 2013 and are to be renegotiated at market rates for the last five years of the lease. $0.52 million of the minimum lease payments will be recovered through a sublease. These transactions were made in the normal course of business and are recorded at the exchange amount being the amount of consideration established and agreed to by the related parties.

Property Leases

Another subsidiary of the Corporation entered into lease agreements with a company whose principal is an officer of the Corporation. Minimum annual lease payments are $0.44 million per year until 2017. The Corporation has the option to renew the lease for another five years at $0.47 million per year. These transactions were made in the normal course of business and are recorded at the exchange amount being the amount of consideration established and agreed to by the related parties.

Outstanding Share Data

As at August 3, 2011 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	26,505,912
Convertible equity securities	
Stock options	1,175,000

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 9 of the unaudited consolidated interim financial statements.

Interest in Joint Venture

Details of the Corporation's share of the revenue and profits of its joint venture are given below.

For the three months ended

($000)	June 30 2011 $	June 30 2010 $
Share of joint venture revenue and profits		
Revenue	1,541	876
Cost of sales	(1,469)	(848)
General and administrative	(13)	(20)
Sales and marketing	(9)	(8)
Interest expense	5	4
Share of joint venture profits	55	4

For the six months ended

($000)	June 30 2011 $	June 30 2010 $
Share of joint venture revenue and profits		
Revenue	3,312	1,923
Cost of sales	(3,121)	(1,816)
General and administrative	(30)	(39)
Sales and marketing	(21)	(13)
Interest expense	10	5
Share of joint venture profits	150	60

Critical Accounting Estimates

The preparation of the Corporation's financial statements, in conformity with IFRS, requires the management of the Corporation to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Management regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty and, therefore, amounts currently reported in the financial statements could differ in the future.

Amortization Policies and Useful Lives

The Corporation amortizes property, plant and equipment and intangible assets over the estimated useful lives of the assets. In determining the estimated useful life of these assets, significant judgment by management is required. In determining these estimates, the Corporation takes into account expectation of the in-service period of these assets. The Corporation assesses the estimated useful life of these assets on an annual basis to ensure they match the anticipated life of an asset from a revenue producing perspective. If the Corporation determines that the useful life of an asset is different from the original assessment, changes to amortization will be applied prospectively.

Inventories

The Corporation is required to carry inventory at the lower of cost and net realizable value. The net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and cost to sell. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize and the estimate of costs to complete. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgment regarding reliability of evidence available and are reviewed on a monthly basis. During the period ended June 30, 2011, the Corporation has experienced recoveries of $0.04 million (2010 – $0.50 million expense) in relation to inventory that was carried in excess of the net realizable value.

Valuation of Non-Financial Assets

The Corporation uses judgments in respect of the fair values of indefinite-life intangible assets. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The assumptions used in the estimations of fair values include expected discount rates, market prices and economic conditions.

Recoverability of Trade and Other Receivables

Management monitors receivables for indications of impairment on an ongoing basis. Balances are reduced to their estimated realizable amounts when there is doubt regarding collection of the full amount of principal and interest. Significant assumptions relevant to these estimates relate to the financial condition of customers, the value of the underlying security, and economic trends impacting the product markets in which the Corporation participates. The Corporation has recorded a provision of $0.13 million for trade receivables at June 30, 2011 (December 31, 2010 – $0.21 million).

Income Taxes

The interpretation of existing tax laws or regulations in Canada and the United States or any of the countries in which the Corporation ships to requires the use of judgement. Differing interpretation of these laws or regulations could result in an increase in the Corporation's taxes, or other governmental charges, duties or impositions. In addition, the recoverability of deferred income tax assets, including expected periods of reversal of temporary differences and expectations of future taxable income, are assessed by management at the end of each reporting period.

Recent Accounting Pronouncements Issued and Not Yet Adopted

In November 2009 the IASB issued International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"). Additionally, in October 2010 IFRS 9 was updated for classification and measurement of financial liabilities. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Corporation: IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), IFRS 11, *Joint Arrangements* ("IFRS 11"), IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), IAS 27, *Separate Financial Statements* ("IAS 27"), IFRS 13, *Fair Value Measurement* ("IFRS 13") and amended IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new and amended standards:

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including

impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. Under IAS 39 most liabilities were subsequently measured at amortized cost or bifurcated into a host, which is measured at amortized cost, and an embedded derivative, which is measured at fair value. The requirements related to the fair value option for financial liabilities were changed to address own credit risk.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

Internal Controls over Financial Reporting and Disclosure Controls

Management has evaluated whether there were changes in our Internal Controls over Financial Reporting (ICFR) during the six-month period ended June 30, 2011 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 2010 Financial Report. Please see page 23 of McCoy's 2010 Financial 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 2010 Financial Report. Please see pages 24 - 27 of McCoy's 2010 Financial Report.

Outlook

The second quarter of 2011 represents the highest level of revenues from continuing operations in McCoy's history. McCoy expects 2011 to continue to show growth due to increased rig counts and McCoy's strategic position; however, the Corporation is continuing to view the recovery cautiously to ensure the revitalization is sustained.

In 2010, McCoy sold the Truck and Trailer Parts & Services division of McCoy and the service and parts division of Peerless Limited and in 2011, McCoy sold the Vac & Hydrovac division. These strategic divestitures for McCoy allow the Corporation to focus on global expansion in the energy industry and grow the most profitable businesses in the EP&S and Mobile Solutions segments.

During the second quarter of 2011, McCoy's EP&S segment has gained traction since ramping up to increase production. With new employees being hired and trained this year, we expect that McCoy will move closer to its performance potential in the second half of the year and beyond.

These challenges are welcomed by McCoy, as there is significant opportunity for growth. McCoy has a positive view for the remainder of 2011, with plenty of demand for the Corporation's products for the period up until the end of the year.

International drilling activity, both land and offshore, continues to be a bright light as international sales remain strong in certain countries due to the recovering price of oil. While rig counts have increased substantially over the last year they still remain slightly below 2008 peak levels; however, the sales backlog for the Trailers division of Mobile Solutions remains strong, primarily in the custom drilling, well stimulation and servicing trailer market, both domestically and in the U.S. 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 North America. EP&S continues to experience a strong backlog build up and the revenue pipeline for drilling and completions equipment has recovered. If drilling activity levels drop, the improving demand for capital equipment could be derailed.

McCoy has expanded its footprint into Houston, Texas, the "hub" of the global oil and gas industry, where we have purchased a facility during the first quarter of 2011. This location is the anchor point for McCoy's international sales and marketing team, houses an additional engineering design group, and will provide calibration services for many of McCoy's Houston-

based customers. In the future, this facility will be a distribution point for drilling equipment parts and consumables.

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 McCoy Board approved the capital expenditure for organic growth, which will be developed within the Superior Manufacturing & Hydraulics plant. This new product line will sell Superior and Farr spare parts, along with other rig equipment replacement parts, to McCoy's customers. While McCoy has historically been a provider of capital equipment, we now look to be a participant in the entire life cycle of our products, allowing us to capitalize on the recurring revenue from maintaining this equipment, which 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 Corporation an 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 new product development as well as strategic acquisitions. McCoy has ramped up its investment in new product development and will continue to invest in bringing new and innovative ideas to the market.

Acquiring product technologies for our drilling & completions equipment line 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.

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 trailer models for the wind energy transportation and specialized oilfield rig moving markets is an example of this strategy.

The 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. These efficiencies along with revenues generated above forecast lead to McCoy Trailers having another strong year.

McCoy has experienced recovery in all of the Corporation's business units since the economic downturn in late 2008. Provided that commodity prices for oil and natural gas hold up or improve, McCoy anticipates continued growth in 2011 due to increased worldwide rig counts and McCoy's strategic position. The second quarter of 2011 represents the highest level of revenues in McCoy's history. McCoy expects 2011 to continue to show growth; however, the Corporation is continuing to view the recovery cautiously to ensure the revitalization is sustained. We believe there are interesting and exciting opportunities to execute McCoy's growth strategy, organically, as well as through potential strategic acquisitions, and the strength of our balance sheet gives us the flexibility to take advantage of our opportunities.

Other Information

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2010 is available on SEDAR at www.sedar.com.

Interim Consolidated Statement of Financial Position
(Unaudited)

($000)	Note	June 30 2011 $	December 31 2010 $
Assets			
Current assets			
Cash and cash equivalents		15,603	16,243
Trade and other receivables		19,581	16,941
Current notes receivable	5	455	163
Inventories		17,396	14,888
Assets held for sale		423	750
		53,458	48,985
Non-current assets			
Notes receivable	5	1,638	1,069
Deferred income tax assets		1,915	1,733
Investment in joint venture		1,512	1,362
Property, plant and equipment	6	20,732	19,913
Intangible assets	7	12,652	13,232
Total assets		91,907	86,294
Liabilities			
Current liabilities			
Trade and other payables		16,803	14,910
Provisions		706	439
Current income tax liabilities		1,701	1,329
Current portion of borrowings	8	479	452
Current portion of finance lease liabilities		327	362
		20,016	17,492
Non-current liabilities			
Borrowings	8	5,442	5,108
Finance lease liabilities		310	477
Deferred income tax liabilities		3,332	3,002
Total liabilities		29,100	26,079
Equity			
Share capital		56,106	56,014
Contributed surplus		3,441	3,224
Accumulated other comprehensive loss		(1,887)	(654)
Accumulated earnings		5,147	1,631
Total equity		62,807	60,215
Total liabilities and equity		91,907	86,294

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

Interim Consolidated Statement of Comprehensive Income
For the Three and Six months Ended June 30, 2011 and 2010
(Unaudited)

($000)	Note	Three Months Ended 2011 $	Three Months Ended 2010 $ (note 4)	Six Months Ended 2011 $	Six Months Ended 2010 $ (note 4)
Revenue		38,834	23,701	71,731	42,509
Cost of sales		27,812	16,897	51,719	30,283
Gross profit		11,022	6,804	20,012	12,226
General and administration		4,492	3,186	8,975	6,374
Sales and marketing		1,698	1,731	3,453	2,987
Other gains and losses (net)		(47)	-	(59)	57
Share of income from joint venture		(55)	(4)	(150)	(60)
Interest expense		40	100	106	160
		6,128	5,013	12,325	9,518
Earnings from continuing operations before income taxes		4,894	1,791	7,687	2,708
Income taxes					
Current		1,774	541	2,834	793
Deferred		(157)	52	(321)	(16)
		1,617	593	2,513	777
Earnings from continuing operations		3,277	1,198	5,174	1,931
Income (loss) from discontinued operations (net of tax)	15	7	(90)	(69)	(387)
Net earnings for the period		3,284	1,108	5,105	1,544
Other comprehensive income					
Currency translation adjustment		(103)	703	(1,233)	294
Comprehensive income for the period		3,181	1,811	3,872	1,838
Earnings per share					
Basic from continuing operations ($)	11	0.12	0.05	0.19	0.07
Basic from net earnings ($)	11	0.12	0.04	0.19	0.06
Diluted from continuing operations ($)	11	0.12	0.05	0.19	0.07
Diluted from net earnings ($)	11	0.12	0.04	0.19	0.06

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

Interim Consolidated Statement of Changes in Equity
(Unaudited)

($000, except # of shares)	Common shares Issued #	Common shares Capital $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Accumulated (deficit) earnings $	Total equity $
Balance – January 1, 2010	26,475,912	56,014	2,986	-	(3,719)	55,281
Net earnings	-	-	-	-	1,544	1,544
Cumulative translation adjustment	-	-	-	294	-	294
Stock based compensation expense	-	-	201	-	-	201
Balance – June 30, 2010	26,475,912	56,014	3,187	294	(2,175)	57,320
Net earnings	-	-	-	-	3,806	3,806
Cumulative translation adjustment	-	-	-	(948)	-	(948)
Stock based compensation expense	-	-	69	-	-	69
Cancelled unvested stock options	-	-	(32)	-	-	(32)
Balance – December 31, 2010	26,475,912	56,014	3,224	(654)	1,631	60,215
Net earnings	-	-	-	-	5,105	5,105
Cumulative translation adjustment	-	-	-	(1,233)	-	(1,233)
Stock based compensation expense	-	-	217	-	-	217
Dividends declared and paid	-	-	-	-	(1,589)	(1,589)
Shares issued on exercise of stock options	30,000	92	-	-	-	92
Balance – June 30, 2011	26,505,912	56,106	3,441	(1,887)	5,147	62,807

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

Interim Consolidated Statement of Cash Flows

For the Three and Six months Ended June 30, 2011 and 2010
(Unaudited)

($000)	Note	Three Months Ended		Six Months Ended	
Cash provided by (used in)		**2011**	**2010**	**2011**	**2010**
		$	**$**	**$**	**$**
Operating activities					
Net earnings from continuing operations for the period		3,277	1,198	5,174	1,931
Adjustments for:					
Amortization of property, plant and equipment and intangibles		1,082	1,000	2,129	2,031
Share based compensation		138	94	300	226
Current income tax expense		1,774	541	2,834	793
Deferred income tax expense		(157)	52	(321)	(16)
Interest expense		40	100	106	160
		6,154	2,985	10,222	5,125
(Gain) loss on disposal of property, plant and equipment		(61)	-	(62)	57
Share of income from joint venture		(55)	(4)	(150)	(60)
		6,038	2,981	10,010	5,122
Changes in items of working capital	13	(3,043)	(3,184)	(3,997)	(6,107)
Interest paid		(40)	(100)	(106)	(160)
Income taxes (paid) refunded		(1,178)	3,065	(2,811)	3,340
Net cash generated from continuing operating activities		1,777	2,762	3,096	2,195
Net cash (used in) generated from discontinued operating activities	15	(172)	(588)	741	(623)
Net cash generated from operating activities		1,605	2,174	3,837	1,572
Investing activities					
Disposal of subsidiary		(577)	-	(577)	-
Proceeds from notes receivable		129	10	129	520
Proceeds from sale of assets held for sale		300	-	327	-
Purchases of property, plant and equipment		(926)	(184)	(2,765)	(569)
Proceeds from the sale of property, plant and equipment		10	7	26	10
Purchases of intangible assets		(38)	(143)	(197)	(198)
Net cash used in continuing investing activities		(1,102)	(310)	(3,057)	(237)
Net cash used in discontinued investing activities	15	59	(36)	68	(46)
Net cash used in investing activities		(1,043)	(346)	(2,989)	(283)
Financing activities					
Repayment of finance lease liabilities		(92)	(100)	(195)	(198)
Proceeds from borrowings		586	-	586	5,900
Repayment of borrowings		(113)	(114)	(226)	(5,875)
Issuance of share capital		92	-	92	-
Dividends paid		(1,324)	-	(1,589)	-
Net cash used in continuing financing activities		(851)	(214)	(1,332)	(173)
Effect of exchange rate changes on cash and cash equivalents		8	84	(156)	16
(Decrease) increase in cash and cash equivalents		(281)	1,698	(640)	1,132
Cash and cash equivalents – Beginning of the period		15,884	3,216	16,243	3,782
Cash and cash equivalents – End of the period		15,603	4,914	15,603	4,914

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

1) General Information

McCoy Corporation ("McCoy" or the "Corporation") provides services and manufactures equipment focused primarily on the global oil and gas sector. McCoy has two operating segments: Energy Products & Services ("EP&S") and Mobile Solutions.

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

Mobile Solutions is involved the manufacture of custom heavy-duty trailers primarily used in the oil and gas industry for multi-stage fracturing.

2) Basis of preparation and adoption of IFRS

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Corporation commenced reporting on this basis in its 2011 interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The accounting policies followed in these interim financial statements are the same as those applied in the Corporation's interim financial statements for the period ended March 31, 2011. The Corporation has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Corporation's reported equity as at June 30, 2010 and comprehensive income for the three and six months ended June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of August 3, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Corporation's Canadian GAAP annual financial statements for the year ended

December 31, 2010, and the Corporation's interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

3) Recent accounting pronouncements issued but not yet adopted

In November 2009 the IASB issued International Financial Reporting Standard 9, *Financial Instruments* ("IFRS 9"). Additionally, in October 2010 IFRS 9 was updated for classification and measurement of financial liabilities. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Corporation: IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), IFRS 11, *Joint Arrangements* ("IFRS 11"), IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), IAS 27, *Separate Financial Statements* ("IAS 27"), IFRS 13, *Fair Value Measurement* ("IFRS 13") and amended IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new and amended standards:

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. Under IAS 39 most liabilities were subsequently measured at amortized cost or bifurcated into a host, which is measured at amortized cost, and an embedded derivative, which is measured at fair value. The requirements related to the fair value option for financial liabilities were changed to address own credit risk.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those

returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

4) Transition to IFRS

The effect of the Corporation's transition to IFRS, described in note 2, is summarized in this note as follows:

a) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS; and

b) Adjustments to the statement of cash flows.

Notes to Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010
(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

a) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS.

	Note		June 30, 2010	
		CGAAP	Adj	IFRS
		$	$	$
Assets				
Current assets				
Cash and cash equivalents	(i)	5,752	(838)	4,914
Trade and other receivables	(i)	18,503	(198)	18,305
Current notes receivable		41	-	41
Current income tax assets	(i)	384	(5)	379
Inventories	(i)	19,343	(662)	18,681
Deferred income tax assets	(ii)	1,686	(1,686)	-
		45,709	(3,389)	42,320
Non-current assets				
Notes receivable	(i)	137	332	469
Deferred income tax assets	(ii),(iii),(x)	-	2,365	2,365
Investment in joint venture	(i)	-	1,321	1,321
Property, plant and equipment	(i),(iv),(v)	18,945	2,129	21,074
Intangible assets	(vi)	12,569	900	13,469
Total assets		77,360	3,658	81,018
Liabilities				
Current liabilities				
Trade and other payables	(i), (viii)	14,240	(465)	13,775
Provisions	(vii), (viii)	-	306	306
Current portion of borrowings		452	-	452
Current portion of finance lease liabilities		413	-	413
		15,105	(159)	14,946
Non-current liabilities				
Borrowings		5,334	-	5,334
Finance lease liabilities		647	-	647
Deferred gain	(ix)	778	(778)	-
Deferred income tax liabilities	(iii),(x)	1,326	1,445	2,771
Total liabilities		23,190	508	23,698
Equity				
Share capital		56,014	-	56,014
Contributed surplus		3,187	-	3,187
Accumulated other comprehensive income	(xi)	315	(21)	294
Accumulated earnings (deficit)	(xii)	(5,346)	3,171	(2,175)
Total equity		54,170	3,150	57,320
Total liabilities and equity		77,360	3,658	81,018

Notes to Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010
(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

	Notes	Three month period ended June 30, 2010			Six month period ended June 30, 2010		
		CGAAP $	Adj $	IFRS $	CGAAP $	Adj $	IFRS $
Revenue	(i)	24,577	(876)	23,701	44,432	(1,923)	42,509
Cost of sales	(i), (v)	17,761	(864)	16,897	32,131	(1,848)	30,283
Gross profit		6,816	(12)	6,804	12,301	(75)	12,226
General and administration	(i), (vii), (ix)	3,181	5	3,186	6,627	(253)	6,374
Sales and marketing	(i)	1,739	(8)	1,731	3,000	(13)	2,987
Other gains and losses (net)		-	-	-	57	-	57
Share of income from joint venture	(i)	-	(4)	(4)	-	(60)	(60)
Interest expense	(i)	96	4	100	155	5	160
		5,016	(3)	5,013	9,839	(321)	9,518
Earnings from continuing operations before income taxes		1,800	(9)	1,791	2,462	246	2,708
Income taxes							
Current		541	-	541	793	-	793
Deferred	(x)	54	(2)	52	(11)	(5)	(16)
		595	(2)	593	782	(5)	777
Earnings from continuing operations		1,205	(7)	1,198	1,680	251	1,931
Loss from discontinued operations (net of tax)		(90)	-	(90)	(387)	-	(387)
Net earnings for the period		1,115	(7)	1,108	1,293	251	1,544
Currency translation adjustment		703	-	703	294	-	294
Comprehensive income (loss) for the period		1,818	(7)	1,811	1,587	251	1,838

The Canadian GAAP balances for the three and six months ended June 30, 2010 have been restated for the discontinued operations as described in note 15.

Explanatory notes

i) The investment in joint venture was proportionately consolidated under Canadian GAAP, however under IFRS, McCoy is accounting for the joint venture using the equity method. An adjustment has been made to remove the 50% interest in Prairie Truck Ltd. from assets and liabilities and record the initial investment, plus McCoy's share of net income since acquisition as an investment in joint venture. The following summarizes the adjustment:

	June 30 2010 $
Decrease in assets:	
Cash and cash equivalents	838
Trade and other receivables	198
Current income tax assets	5
Inventories	662
Property, plant and equipment	109
Total assets	1,812
Increase in assets:	
Non-current notes receivable	332
Decrease in liabilities:	
Trade and other payables	159
Investment in Prairie Truck Ltd.	1,321

An adjustment has also been made to remove the 50% share of Prairie Truck Ltd.'s revenue and expenses and record the share of income from joint venture. The following summarizes the adjustment:

	Three months ended June 30 2010 $	**Six months ended June 30 2010 $**
Revenue	876	1,923
Cost of sales	848	1,816
Gross profit	28	107
Sales and marketing	8	13
General and administration	20	39
Interest expense	(4)	(5)
	24	47
Share of income from joint venture	4	60

ii) Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of assets or liabilities to which the deferred income tax relates or the expected timing of reversal. Under Canadian GAAP, deferred income tax relating to current assets or current liabilities must be classified as current. Accordingly, the current deferred income tax assets reported under Canadian GAAP of $1,686 at June 30, 2010 have been reclassified as non-current under IFRS.

iii) Under Canadian GAAP the Corporation recorded its deferred income tax assets and liabilities based on the underlying asset or liability. As a result, some deferred income tax assets and liabilities between different jurisdictions were recorded on a net basis. Under IFRS, deferred income tax assets and liabilities cannot be recorded on a net basis between different jurisdictions. As a result of the reclassifications, the deferred income tax asset and liabilities have increased by $1,118 at June 30, 2010.

iv) In accordance with IFRS transitional provisions, the Corporation elected to revalue land by $2,612 to its fair value of $2,795 at January 1, 2010.

v) An impairment loss of $406 was recognized at January 1, 2010 for property, plant and equipment for which an indicator existed on transition to IFRS. This impairment was not recognized under Canadian GAAP. The adjustment arose because under IFRS the recoverable amount used in recognizing and measuring an impairment is the higher of the asset's fair value less cost to sell and its value in use. Under Canadian GAAP, the recoverable amount used to determine whether the recognition of an impairment loss is required is the undiscounted future cash flows expected from the asset's use and eventual disposition.

   As the assets were not impaired under Canadian GAAP at June 30, 2010 the amortization expense of $16 for the three months ended and $32 for the six months ended June 30, 2010 were reversed under IFRS.

vi) On transition to IFRS, the Corporation was required to assess whether any impairment losses previously recognized under Canadian GAAP should be reversed. Impairment losses under IFRS must be reversed if the carrying amount of the asset is less than the recoverable amount, which is the higher of the asset's fair value less cost to sell or value in use. Reversals of impairment losses are prohibited under Canadian GAAP. Under Canadian GAAP, an impairment loss of $900 was recorded against the intangible assets, specifically the trade name of "Superior Manufacturing and Hydraulics Inc." The impairment loss has been reversed at January 1, 2010 because the recoverable amount was higher than the carrying amount of the asset.

vii) In accordance with IFRS transitional provisions, the Corporation elected to take the exemption not to apply IFRS 3, Business Combinations, retrospectively to past business combinations that occurred before the transition date. However, the corporation was still required to consider whether amounts previously reported under Canadian GAAP should be restated to comply with IFRS. This includes the contingent consideration that was not recorded under Canadian GAAP because there was insufficient assurance that a payment would be required. Under IFRS, contingent consideration is recorded subsequent to the

acquisition, if payment of the contingent consideration is probable and can be measured reliably. Accordingly, the Corporation has recorded an adjustment through retained earnings to recognize the fair value of the contingent consideration of $265 at January 1, 2010.

In the first quarter of 2010, it was determined that the payment of contingent consideration was no longer probable and the $265 provision was reversed through general and administrative expenses.

viii) Under IFRS, provisions are required to be separately disclosed whereas under Canadian GAAP, provisions are included in trade and other payables. Accordingly, an adjustment has been recorded to reclassify provisions of $306 from trade payables at June 30, 2010.

ix) Gains arising on sales-leaseback transactions resulting in operating leases under IFRS are required to be recognized in income when the transaction occurs. Under Canadian GAAP, gains are deferred and amortized over the lease term. Accordingly, the deferred gain recognized under Canadian GAAP of $829 at January 1, 2010 has been reversed through opening retained earnings. Amortization of the deferred gain of $25 for the three months ended June 30, 2010 and $51 for the six months ended June 30, 2010 have also been reversed through general and administrative expenses.

x) Deferred income tax assets and liabilities have been adjusted to give effect to adjustments as follows:

	Ref	June 30 2010 $
Deferred income tax assets:		
Reversal of deferred gain	(ix)	(194)
Impairment of property, plant and equipment	(v)	93
Reversal of intangible asset impairment	(vi)	(338)
Decrease in deferred income tax assets		(439)
Deferred income tax liabilities:		
Revaluation of property, plant and equipment	(iv)	(327)
Increase in deferred income tax liabilities		(327)

The above adjustments decreased deferred income tax expense recognized in the income statement by $2 for the three months ended June 30, 2010 and $5 for the six months ended June 30, 2010.

xi) In accordance with IFRS transitional provisions, the Corporation has elected to reset the currency translation adjustment account, which includes gains and losses arising from the translation of foreign operations to zero at the date of transition to IFRS. Accumulated other comprehensive income has been decreased and retained earnings have been increased by $21 at January 1, 2010.

xii) The following is a summary of transition adjustments to the Corporation's deficit from Canadian GAAP to IFRS:

	Ref	June 30 2010 $
Deficit as reported under Canadian GAAP		(5,346)
IFRS adjustments increase (decrease):		
Revaluation of property, plant & equipment	(iv)	2,612
Impairment of property, plant & equipment	(v)	(406)
Contingent consideration	(vii)	(265)
Reversal of intangible asset impairment	(vi)	900
Reversal of deferred gain	(ix)	829
Deferred income tax assets	(x)	(444)
Deferred income tax liabilities	(x)	(327)
Foreign currency translation	(xi)	21
		2,920
Effecting 2010 net income:		
Amortization reversal related to impairment of property, plant, and equipment	(v)	32
Reverse amortization of deferred gain	(ix)	(51)
Reversal of previously recorded contingent consideration	(vii)	265
Deferred tax effect of adjustments	(x)	5
		3,171
Accumulated deficit as reported under IFRS		(2,175)

b) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on the cash flows generated by the Corporation, except for the joint venture adjustment (note 4(a)(i)), that decreased the cash balance by $838 at June 30, 2010.

5) Notes receivable

	June 30 2011 $	December 31 2010 $
Note receivable, no fixed terms of repayment, non-interest bearing, from Prairie Truck Ltd.	332	332
Note receivable due in monthly instalments of US$3, non-interest bearing, until November 2014.	124	150
Note receivable due in quarterly instalments of $63 commencing July 2011, plus interest at 10%, until January 2012; a general security agreement over all past and future property is secured as collateral.	625	750
Note receivable due in monthly instalments of $30 commencing July 2011, plus interest at prime plus 2%, until August 2014; a general security agreement over all past and future property is secured as collateral.	1,012	-
	2,093	1,232
Less: Current portion	455	163
	1,638	1,069

6) Property, plant and equipment

	June 30 2011 $	December 31 2010 $
Net book value – beginning balance	19,913	22,270
Additions	2,765	1,870
Net disposals	36	(475)
Amortization	(1,518)	(3,071)
Discontinued operations	(234)	(744)
Transfer of assets held for sale	-	(98)
Reversal of impairment	-	281
Exchange difference	(230)	(120)
Net book value – ending balance	20,732	19,913

7) Intangible assets

	June 30 2011 $	December 31 2010 $
Net book value – beginning balance	13,232	13,795
Additions	197	751
Disposals	-	(9)
Amortization	(611)	(1,195)
Discontinued operations	(218)	(126)
Exchange difference	52	16
Net book value – ending balance	12,652	13,232

Notes to Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010
(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

8) Borrowings

	June 30 2011 $	December 31 2010 $
Term loan #1, payable in monthly instalments of $20 until January 2015, plus interest at the lender's floating base rate of 1.70% at June 30, 2011 plus 3.60%. Starting in 2011, an additional payment to a maximum of $250 per year is required if EBITDAS(1) is less than $5,000 per year.	$ 4,573	$ 4,668
Term loan #2, payable in monthly instalments of $18 until January 2015, plus interest at the lender's floating base rate of 1.70% at June 30, 2011 plus 3.60%.	788	892
Term loan #3, payable in monthly instalments of $5 until June 2026, including interest at the lender's floating base rate of 3.25% at June 30, 2011 plus 0.75%.	560	-
	5,921	5,560
Less: Current portion	479	452
	$ 5,442	$ 5,108

The financing for both term loans #1 and #2 are collateralized by a first specific charge on the Peerless Limited land and buildings in Penticton; a first charge on all other fixed assets located in Canada (except equipment that is collateralized by existing leases); and a second floating charge on all other assets.

The financing for term loan #3 is collateralized by a first specific charge on land and building in Houston.

9) Share based compensation

a) Equity-settled share based payments

The Corporation's share option plan for employees is administered by the Compensation Committee, which is a subcommittee of the Board of Directors. The Compensation Committee designates eligible participants to be included under the plan and designates the number of options and share price of the options, subject to applicable securities laws and stock exchange regulations.

The aggregate number of common shares issuable under the plan can be no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis. In addition, no more than 5% of outstanding shares may be reserved for options granted to any one person and no more than 10% of outstanding shares may be reserved for options granted to insiders. The options vest evenly over three years and the maximum term of options issued under the plan cannot exceed five years. The exercise price of options is determined by the Board of Directors, but cannot be lower than the market price of shares on the last trading day preceding the grant date.

The following reflects activity under the share option plan:

	Number of common shares under option (#000)	Weighted Average Exercise Price $
Outstanding – December 31, 2010	1,115	3.29
Granted	350	3.49
Forfeited	(80)	2.79
Expired	(180)	7.25
Exercised	(30)	3.08
Outstanding – June 30, 2011	**1,175**	**2.78**
Exercisable – December 31, 2010	553	5.07
Exercisable – June 30, 2011	**498**	**3.09**

Notes to Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2011 and 2010
(Unaudited, in thousands of CAD, except for number of shares and per share amounts)

The following options are outstanding as at June 30, 2011:

Exercise price per option	Options outstanding (#000)	Weighted average remaining contractual life (years)
$0 to $2	585	3.56
$2 to $4	410	2.11
$4 to $6	180	0.92
	1,175	2.44

The following weighted-average assumptions were used in the Black-Scholes calculations for share options granted during the six-months ended June 30:

	2011	2010
Share price	$3.49	$3.43
Exercise price	$3.49	$3.43
Expected volatility	74%	71%
Risk-free interest rate	2.3%	2.3%
Annual dividend rate	0%	0%
Expected life of options in years	3.5 years	3.5 years

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome.

The weighted average grant date fair value of share options granted during the period was $1.97 per share option (six months ended June 30, 2010 - $0.77 per share option). The weighted average share price for the options exercised for the six months ended June 30, 2011 was $4.26 per share options (six months ended June 30, 2010 – no options exercised). Current year vesting of options resulted in a $217 (six months ended June 30, 2010 - $201) charge to share based compensation expense and corresponding credit to contributed surplus.

b) Cash-settled share based payments

The Corporation has a Director's deferred share unit plan for Directors of the Corporation who are designated as participants by the Compensation Committee. The deferred share units vest at the end of three years. Upon retirement from the Board, the deferred share units are redeemed for cash based on the market price of the shares.

The following reflects activity under the Director's deferred share unit plan:

	June 30 2011 (#000)	December 31 2010 (#000)
Outstanding – beginning of period	114	113
Granted	4	15
Forfeited	-	(14)
Outstanding – end of period	118	114

There were 4 deferred share units issued during the period (six months ended June 30, 2010 – no deferred share units issued). Current year vesting of deferred share units resulted in a $83 (six months ended June 30, 2010 - $25) charge to share based compensation expense. At June 30, 2011, the Corporation recorded liabilities of $236 (December 31, 2010 - $153) in respect of this plan.

c) Share based compensation expense

Total share based compensation was as follows:

	Three Months Ended		Six Months Ended	
	June 30 2011 $	June 30 2010 $	June 30 2011 $	June 30 2010 $
Share options	100	82	217	201
Deferred share units	38	12	83	25
	138	94	300	226

10) Related party transactions

a) Rental expense

A subsidiary of the Corporation entered into lease agreements with a company owned by certain directors. These individuals are also directors of Foundation Equity Corporation, a 43% shareholder of the Corporation. Minimum annual lease payments are $752 per annum until 2013 and are to be renegotiated at market rates for the last five years of the lease. $520 of the minimum lease payments will be recovered through a sublease. These transactions were made in the normal course of business and are recorded at the exchange amount being the amount of consideration established and agreed to by the related parties.

b) Property leases

Another subsidiary of the Corporation entered into lease agreements with a company whose principal is an officer of the Corporation. Minimum annual lease payments are $435 per year until 2017. The Corporation has the option to renew the lease for another five years at $473 per year. These transactions were made in the normal course of business and are recorded at the exchange amount being the amount of consideration established and agreed to by the related parties.

c) Compensation awarded to directors and key management personnel for employee services included:

	Three months ended June 30 2011 $	Three months ended June 30 2010 $
Salaries and short-term employee benefits	520	390
Post-employment benefits	16	16
Other long term benefits	12	7
Share-based payments	35	26
	583	439

	Six months ended June 30 2011 $	Six months ended June 30 2010 $
Salaries and short-term employee benefits	1,193	985
Post-employment benefits	35	29
Other long term benefits	23	11
Share-based payments	72	122
	1,323	1,147

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11) Earnings Per Share

The following table sets forth the details of the denominator used for the computation of basic and diluted earnings per share for the periods ended June 30, 2011 and 2010:

	Three months ended June 30, 2011			Three months ended June 30, 2010		
	Earnings (numerator) **$**	**Weighted Average Shares** (denominator) **(#000)**	**Per share amount $**	**Earnings (loss)** (numerator) **$**	**Weighted Average Shares** (denominator) **(#000)**	**Per share amount $**
Basic earnings per share						
Earnings from continuing operations available to common shareholders	3,277	26,502	0.12	1,198	26,476	0.05
Earnings (loss) from discontinued operations available to common shareholders	7	26,502	0.00	(90)	26,476	(0.01)
Earnings available to common shareholders	3,284	26,502	0.12	1,108	26,476	0.04
Diluted earnings per share						
Dilutive effect of options		362			4	
Earnings from continuing operations available to common shareholders	3,277	26,864	0.12	1,198	26,480	0.05
Earnings (loss) from discontinued operations available to common shareholders	7	26,864	0.00	(90)	26,480	(0.01)
Earnings available to common shareholders	3,284	26,864	0.12	1,108	26,480	0.04

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	Six months ended June 30, 2011			Six months ended June 30, 2010		
	Earnings (loss) (numerator) **$**	**Weighted Average Shares** (denominator) **(#000)**	**Per share amount $**	**Earnings (loss)** (numerator) **$**	**Weighted Average Shares** (denominator) **(#000)**	**Per share amount $**
Basic earnings per share						
Earnings from continuing operations available to common shareholders	5,174	26,489	0.19	1,931	26,476	0.07
Loss from discontinued operations available to common shareholders	(69)	26,489	(0.00)	(387)	26,476	(0.01)
Earnings available to common shareholders	5,105	26,489	0.19	1,544	26,476	0.06
Diluted earnings per share						
Dilutive effect of options		353			-	
Earnings from continuing operations available to common shareholders	5,174	26,842	0.19	1,931	26,476	0.07
Loss from discontinued operations available to common shareholders	(69)	26,842	(0.00)	(387)	26,476	(0.01)
Earnings available to common shareholders	5,105	26,842	0.19	1,544	26,476	0.06

12) Segmented reporting

The Corporation operates its businesses through a number of subsidiaries and divisions operating in two segments.

Energy Products & Services (“EP&S”)

- Farr Canada Corp., a wholly owned subsidiary located in Edmonton, Alberta – manufactures and distributes standard and custom model hydraulic power tongs.
- Superior Manufacturing and Hydraulics, Inc., a wholly owned subsidiary located in Broussard, Louisiana – manufactures and distributes standard and custom hydraulic power tongs, manufactures and distributes a line of hydraulic power equipment, and offers service, repair, honing, and testing of hydraulic equipment.
- Precision Die Technologies, L.L.C., a wholly owned subsidiary located in Broussard, Louisiana – manufactures and distributes dies and inserts used in other handling tools.
- Inotec Coatings and Hydraulics Inc., a wholly owned subsidiary located in Edmonton, Alberta – is involved in the application of materials for the prevention of

wear, erosion and corrosion, and the manufacturing and servicing of hydraulic components.

Mobile Solutions

- Peerless Limited, a wholly owned subsidiary located in Penticton, British Columbia – manufactures heavy duty trailers and custom chassis. Peerless has also subcontracted two trailer manufacturing plants in the southern U.S.
- Prairie Truck Ltd, a 50% interest in a joint venture – is an International Truck Dealership located in Grande Prairie, Alberta.
- Rebel Metal Fabricators Ltd., a wholly owned subsidiary located in Red Deer, Alberta – manufactures and distributes truck and trailer mounted hydrovac and vacuum tanks. In December 2010, McCoy made a change to its business structure by moving Rebel Metal Fabricators Ltd. from the Energy Products & Services ("EP&S") segment to the Mobile Solutions segment. Subsequent to the change in structure, Rebel Metal Fabricators Ltd. was sold as of June 30, 2011, and the 2010 comparative balances have been restated for this change.
- McCoy Parts & Service, a wholly owned subsidiary – provides service and retail parts through branches in Edmonton, Grande Prairie and Red Deer, Alberta; as well as retail parts operations in Penticton, British Columbia. McCoy Parts & Service was sold as of December 31, 2010 and the 2010 comparative balances have been restated as a result of this discontinued operation.

The accounting policies of the segments are the same as those described in note 3 in the interim consolidated financial statements for the three months ended March 31, 2011. Inter-segment transactions are entered into under terms and conditions similar to those with unrelated parties and are eliminated on consolidation. All inter segment sales have been eliminated within the segment.

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Three Months Ended June 30, 2011

	Energy Products & Services $	Mobile Solutions $	Corporate $	Inter-Segment Eliminations $	Total $
Sales by segment					
Total external sales	20,309	18,525	-	-	38,834
Total inter-segment sales	2,102	51	-	(2,153)	-
Total sales	22,411	18,576	-	(2,153)	38,834
Cost of sales	15,261	14,704	-	(2,153)	27,812
Gross profit	7,150	3,872	-	-	11,022
Operating expenses	2,269	731	-	-	3,000
Sales and marketing expenses	1,264	434	-	-	1,698
Share of income of joint venture	-	(55)	-	-	(55)
	3,533	1,110	-	-	4,643
Earnings before corporate charges, interest, other and income taxes from continuing operations	3,617	2,762	-	-	6,379
Corporate charges	-	-	1,492	-	1,492
Earnings (loss) before interest, other and income taxes from continuing operations	3,617	2,762	(1,492)	-	4,887
Interest on debt	12	-	28	-	40
Earnings (loss) before other and income taxes from continuing operations	3,605	2,762	(1,520)	-	4,847
Other gains and losses (net)	47	-	-	-	47
Earnings (loss) before income taxes from continuing operations	3,652	2,762	(1,520)	-	4,894
Income taxes (recovery)	1,207	916	(506)	-	1,617
Earnings (loss) for the period from continuing operations	2,445	1,846	(1,014)	-	3,277
Earnings from discontinued operations (net of tax)	-	7	-	-	7
Earnings (loss) for the period	2,445	1,853	(1,014)	-	3,284
Total identifiable assets	68,582	22,809	516	-	91,907
Additions to property, plant & equipment	652	146	128	-	926
Additions to intangible assets	37	-	1	-	38

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Three Months Ended June 30, 2010

	Energy Products & Services $	Mobile Solutions $	Corporate $	Inter-Segment Eliminations $	Total $
Sales by segment					
Total external sales	17,016	6,685	-	-	23,701
Total inter-segment sales	2,908	89	-	(2,997)	-
Total sales	19,924	6,774	-	(2,997)	23,701
Cost of sales	14,463	5,431	-	(2,997)	16,897
Gross profit	5,461	1,343	-	-	6,804
Operating expenses	1,321	566	-	-	1,887
Sales and marketing expenses	1,422	309	-	-	1,731
Share of income of joint venture	-	(4)	-	-	(4)
	2,743	871	-	-	3,614
Earnings before corporate charges, interest, other and income taxes from continuing operations	2,718	472	-	-	3,190
Corporate charges	-	-	1,299	-	1,299
Earnings (loss) before interest, other and income taxes from continuing operations	2,718	472	(1,299)	-	1,891
Interest on debt	27	-	73	-	100
Earnings (loss) before other and income taxes from continuing operations	2,691	472	(1,372)	-	1,791
Other gains and losses (net)	-	-	-	-	-
Earnings (loss) before income taxes from continuing operations	2,691	472	(1,372)	-	1,791
Income taxes (recovery)	926	171	(504)	-	593
Earnings (loss) for the period from continuing operations	1,765	301	(868)	-	1,198
Loss from discontinued operations (net of tax)	-	(90)	-	-	(90)
Earnings (loss) for the period	1,765	211	(868)	-	1,108
Total identifiable assets	60,580	19,839	599	-	81,018
Additions to property, plant & equipment	176	4	4	-	184
Additions to intangible assets	93	40	10	-	143

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For the Three and Six Months Ended June 30, 2011 and 2010
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Six Months Ended June 30, 2011

	Energy Products & Services $	Mobile Solutions $	Corporate $	Inter-Segment Eliminations $	Total $
Sales by segment					
Total external sales	38,895	32,836	-	-	71,731
Total inter-segment sales	3,098	92	-	(3,190)	-
Total sales	41,993	32,928	-	(3,190)	71,731
Cost of sales	28,848	26,061	-	(3,190)	51,719
Gross profit	13,145	6,867	-	-	20,012
Operating expenses	4,636	1,441	-	-	6,077
Sales and marketing expenses	2,627	826	-	-	3,453
Share of income of joint venture	-	(150)	-	-	(150)
	7,263	2,117	-	-	9,380
Earnings before corporate charges, interest, other and income taxes from continuing operations	5,882	4,750	-	-	10,632
Corporate charges	-	-	2,898	-	2,898
Earnings (loss) before interest, other and income taxes from continuing operations	5,882	4,750	(2,898)	-	7,734
Interest on debt	24	-	82	-	106
Earnings (loss) before other and income taxes from continuing operations	5,858	4,750	(2,980)	-	7,628
Other gains and losses (net)	59	-	-	-	59
Earnings (loss) before income taxes from continuing operations	5,917	4,750	(2,980)	-	7,687
Income taxes (recovery)	1,934	1,553	(974)	-	2,513
Earnings (loss) for the period from continuing operations	3,983	3,197	(2,006)	-	5,174
Loss from discontinued operations (net of tax)	-	(69)	-	-	(69)
Earnings (loss) for the period	3,983	3,128	(2,006)	-	5,105
Total identifiable assets	68,582	22,809	516	-	91,907
Additions to property, plant & equipment	2,428	166	171	-	2,765
Additions to intangible assets	102	22	73	-	197

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Six Months Ended June 30, 2010

	Energy Products & Services $	Mobile Solutions $	Corporate $	Inter-Segment Eliminations $	Total $
Sales by segment					
Total external sales	30,948	11,561	-	-	42,509
Total inter-segment sales	4,274	145	-	(4,419)	-
Total sales	35,222	11,706	-	(4,419)	42,509
Cost of sales	25,289	9,413	-	(4,419)	30,283
Gross profit	9,933	2,293	-	-	12,226
Operating expenses	2,836	979	-	-	3,815
Sales and marketing expenses	2,497	490	-	-	2,987
Share of income of joint venture	-	(60)	-	-	(60)
	5,333	1,409	-	-	6,742
Earnings before corporate charges, interest, other and income taxes from continuing operations	4,600	884	-	-	5,484
Corporate charges	-	-	2,559	-	2,559
Earnings (loss) before interest, other and income taxes from continuing operations	4,600	884	(2,559)	-	2,925
Interest on debt	49	-	111	-	160
Earnings (loss) before other and income taxes from continuing operations	4,551	884	(2,670)	-	2,765
Other gains and losses (net)	(57)	-	-	-	(57)
Earnings (loss) before income taxes from continuing operations	4,494	884	(2,670)	-	2,708
Income taxes (recovery)	1,289	254	(766)	-	777
Earnings (loss) for the period from continuing operations	3,205	630	(1,904)	-	1,931
Loss from discontinued operations (net of tax)	-	(387)	-	-	(387)
Earnings (loss) for the period	3,205	243	(1,904)	-	1,544
Total identifiable assets	60,580	19,839	599	-	81,018
Additions to property, plant & equipment	559	4	6	-	569
Additions to intangible assets	148	40	10	-	198

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Geographic information

	Three months ended June 30, 2011		Three months ended June 30, 2010	
	Revenue	Property, plant and equipment	Revenue	Property, plant and equipment
	$	$	$	$
Canada	20,164	16,476	8,462	18,412
US	12,405	4,256	7,170	2,662
Europe	3,994	-	2,178	-
Middle East	1,246	-	924	-
United Kingdom	300	-	2,904	-
Australasia	274	-	1,329	-
Asia	386	-	386	-
South America	55	-	193	-
Mexico	-	-	15	-
Africa	10	-	140	-
	38,834	20,732	23,701	21,074

	Six months ended June 30, 2011		Six months ended June 30, 2010	
	Revenue	Property, plant and equipment	Revenue	Property, plant and equipment
	$	$	$	$
Canada	30,661	16,476	16,296	18,412
US	29,407	4,256	13,286	2,662
Europe	6,300	-	3,261	-
Middle East	1,907	-	1,704	-
United Kingdom	1,308	-	5,183	-
Asia	824	-	491	-
Australasia	748	-	1,352	-
Africa	472	-	461	-
South America	93	-	198	-
Mexico	11	-	277	-
	71,731	20,732	42,509	21,074

13) Changes in non-cash working capital

For the three months ended:

	June 30 2011 $	June 30 2010 $
Changes in items of working capital:		
Trade and other receivables	(4,224)	(3,044)
Inventories	181	(869)
Trade and other payables	832	656
Provisions	168	73
	(3,043)	(3,184)

For the six months ended:

	June 30 2011 $	June 30 2010 $
Changes in items of working capital:		
Trade and other receivables	(3,467)	(6,650)
Inventories	(3,968)	(1,144)
Trade and other payables	3,167	1,895
Provisions	271	(208)
	(3,997)	(6,107)

14) Dividends

A dividend of $0.01 per share, totaling $265, declared on March 10, 2011 was paid on March 31, 2011.

A dividend of $0.04 per share, totaling, $1,059, declared on March 17, 2011, was paid April 11, 2011.

A dividend of $0.01 per share, totaling $265, declared on May 19, 2011 was paid on June 30, 2011.

15) Discontinued Operations

On June 30, 2011, Rebel Metal Fabricators Ltd. ("Rebel") was sold for proceeds of $1,063. The proceeds are payable over 36 months as described in note 5. Operating results relating to Rebel have been included in earnings from discontinued operations in the Consolidated Statement of Comprehensive earnings.

Additionally, on December 31, 2010, the Truck and Trailer Parts & Service division of McCoy and the service and parts division of Peerless Limited ("McCoy Parts & Service") were sold. Operating results related to McCoy Parts & Service have been included in the June 30, 2010 earnings from discontinued operations in the Consolidated Statement of Comprehensive Income.

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The net assets disposed on June 30, 2011 related to the sale of Rebel are as follows:

	June 30 2011 $
Cash	577
Other current assets	2,255
Non-current assets	277
Total assets	3,109
Current liabilities	1,992
Non-current liabilities	54
Total liabilities	2,046
Net Assets	1,063

The results related to discontinued operations are as follows:

For the three months ended June 30:

	June 30, 2011	June 30, 2010		
	Rebel $	Rebel $	Parts and Service $	Total $
Revenue	1,720	1,129	3,832	4,961
Cost of sales	(1,434)	(1,056)	(2,994)	(4,050)
Other expenses	(242)	(368)	(674)	(1,042)
Net earnings (loss) from discontinued operations before income taxes	44	(295)	164	(131)
Income taxes (expense) recovery	(37)	87	(46)	41
Net earnings (loss) from discontinued operations	7	(208)	118	(90)

For the six months ended June 30:

	June 30, 2011	June 30, 2010		
	Rebel $	Rebel $	Parts and Service $	Total $
Revenue	3,673	2,349	8,335	10,684
Cost of sales	(3,190)	(2,267)	(6,970)	(9,237)
Other expenses	(538)	(699)	(1,303)	(2,002)
Net earnings (loss) from discontinued operations before income taxes	(55)	(617)	62	(555)
Income taxes recovery (expense)	(14)	183	(15)	168
Net earnings (loss) from discontinued operations	(69)	(434)	47	(387)