MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2013

MOVING GLOBAL ENERGY FORWARD

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EXPLANATORY NOTES

The following Management's Discussion and Analysis of Financial Results ("MD&A"), dated April 30, 2013, should be read in conjunction with the cautionary statement regarding forward-looking information and statements below, as well as the audited consolidated financial statements and notes thereto, for the years ended December 31, 2012 and 2011. The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in the following MD&A are in Canadian dollars unless otherwise stated. References to "McCoy," "the Corporation," "we," "us" or "our" mean McCoy Corporation and its subsidiaries, unless the context otherwise requires. Additional information relating to McCoy, including periodic quarterly and annual reports and Annual Information Forms, filed with Canadian securities regulatory authorities, is available on SEDAR at sedar.com and our website at mccoyglobal.com.

FORWARD LOOKING INFORMATION AND STATEMENTS

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "objective", "ongoing", "believe", "will", "may", "projected", "plan", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words suggesting future outcomes. In particular, this MD&A contains:

Forward-looking statements relating to:

- McCoy's acquisition strategy;
- the future development and growths prospects for the Corporation;
- the business strategy of the Corporation; and
- the competitive advantage of the Corporation.

Forward-looking statements respecting:

- the business opportunities for the Corporation are based on the views of management of the Corporation and current and anticipated market conditions; and
- the perceived benefits of the growth strategy and operating strategy of the Corporation are based upon the financial and operating attributes of the Corporation as at the date hereof, as well as the anticipated operating and financial results.

Other forward-looking statements regarding the Corporation are located in the documents incorporated by reference in this MD&A and are based on certain key expectations and assumptions of the Corporation concerning anticipated financial performance, business prospects, strategies, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, which are subject to change based on market conditions and potential timing delays. Although management of the Corporation consider these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in the forward-looking statements, including those set out below and those detailed elsewhere in this MD&A:

- inability to meet current and future obligations;
- inability to complete strategic acquisitions;
- inability to implement the Corporation's business strategy effectively;

- access to capital markets;
- fluctuations in oil and gas prices;
- fluctuations in our target market for capital expenditures;
- competition for, among other things, labour, capital, materials and customers;
- interest and currency exchange rates;
- technological developments;
- political and economic conditions;
- inability to attract and retain key personnel; and

Readers are cautioned that the foregoing list is not exhaustive.

The reader is further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These judgements and estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

The information contained in this MD&A, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Corporation. We urge you to carefully consider those factors.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Corporation does not undertake and is not obligated to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

DESCRIPTION OF ADDITIONAL GAAP MEASURES

Throughout this MD&A, management uses measures which do not have a standardized meaning as prescribed by IFRS and therefore are considered to be additional GAAP measures presented under IFRS.

EBITDA is an additional GAAP measure presented under IFRS defined as "net earnings before finance charges (net), income tax expense, depreciation and amortization."

Adjusted EBITDA is an additional GAAP measure presented under IFRS defined as "net earnings before impairment losses, finance charges (net), income tax expense, depreciation, amortization and share-based compensation expense". For comparative purposes, the Corporation notes that in previous financial disclosures 'adjusted EBITDA' was referred to as "EBITDAS".

The Corporation reports on EBITDA and adjusted EBITDA because they are key measures used by management to evaluate performance. Adjusted EBITDA is used in making decisions relating to distributions to shareholders and is used in monitoring compliance with debt covenants. The Corporation believes adjusted EBITDA assists investors in assessing McCoy's performance on a consistent basis without regard to impairment losses, depreciation, amortization and stock based compensation, which are non-cash in nature and can vary significantly depending on accounting methods or non-operating factors.

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

OUTLOOK AND FORWARD LOOKING INFORMATION

We entered 2013 with moderate expectations for the first half of the year and our consolidated financial results for the quarter reflect this. Customer demand and support for McCoy's products continue to deliver results and drive increases in Energy Products and Services ("EP&S") segment revenues. Our commitment to our strategic growth plan is beginning to position us to achieve positive results in a moderating market.

International and offshore markets have remained relatively strong, offset by a slowdown in North America. Although the outlook for global drilling activity remains mixed, strategic investments and additions made to our management team, infrastructure, international technical service model and new product development in 2012 position us well to deliver strong results in the latter part of the year. In the short-term, there are positive signs in the market and we have been quoting on an increasing number of large international orders.

Servicing our customers in a timely manner regardless of geographic location remains a priority and in 2013 we will continue making strategic investments to further advance this initiative. We took our first step this quarter and established an entity in the European region. McCoy Global UK Ltd. will be based in Aberdeen, Scotland as our first overseas technical service and sales location and is planned to be operational in the second quarter of 2013 with operations increasing over the remainder of the year. This will not only improve our customer service commitments to our growing global customer base, but will generate additional sales opportunities for capital equipment, consumables and replacement parts. We are in the process of setting up another technical service center in Southeast Asia with plans to commence operations in that region in the latter part of 2013. Two additional technical service centers are planned for 2014; with the Middle East and Latin America regions being logical places to expand.

In late 2012 and the first quarter of 2013, the Drilling and Completions business took advantage of increased manufacturing capacity to begin building finished goods inventory of standard equipment. This was done for two reasons; to shorten the delivery lead time for our customers on standard equipment orders, and to build a supply of standard equipment for our international technical service center locations in advance of their opening. This is key to our customers' success and our commitment to being leaders in customer responsiveness.

The recent success of the commercial launch of the weCATT has demonstrated our ability to develop and bring products to market. In the first quarter of 2013, we realized the first commercial sale of the second product in our "we" pipeline, the weTORQ85 (iron roughneck product) after successfully completing field testing. Additional products under development include an electric bucking unit (weBUCK), a hydraulic catwalk (weMOVE35), a casing running tool (weRUN350), and a casing handling tool system with flush mount spider, conventional spider and elevator configurations (weHOLD). Progress continues to be made on the development of these new products. These products are in various phases of design, prototype and testing. Timing for commercial launch of the above mentioned products are anticipated to occur throughout 2013 and into 2014, depending on successful prototyping and field trials. Robust testing will be undertaken to ensure products are ready for commercial production.

Mobile Solutions continues to face a challenging market as we enter 2013. Backlog levels appear to have stabilized and we are forecasting a slow but steady improvement in revenue and earnings for the remainder of 2013. We have implemented cost cutting measures to manage costs during this period, including downsizing the hourly workforce in October 2012 and once again in early 2013.

Lastly, McCoy's balance sheet remains strong and provides us with the flexibility to invest in working capital and innovation required to support our organic growth plans and an ability to pursue prudent and meaningful acquisitions to strengthen our product and service offerings. McCoy continues to advance its goal of being the trusted provider of innovative products and services for the global energy industry.

STRATEGY AND CORE BUSINESS VISION

OUR VISION IS TO BE THE TRUSTED PROVIDER OF INNOVATIVE PRODUCTS AND SERVICES FOR THE GLOBAL ENERGY INDUSTRY

ENERGY PRODUCTS & SERVICES OVERVIEW

The EP&S segment 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. Our customers include service companies, drilling contractors (both land and offshore), drilling rig manufacturers and oil sands operators. Clients are typically global in nature and can operate in both land and offshore drilling environments.

Operations are structured as follows:

Operating Name	Country of Incorporation	Segment	Division
Superior Manufacturing & Hydraulics, Inc.	United States	EP&S	Drilling & Completions
McCoy Rig Parts, operating as a division of Superior Manufacturing & Hydraulics, Inc.	Not applicable	EP&S	Drilling & Completions
Farr Canada Corp.	Canada	EP&S	Drilling & Completions
Precision Die Technologies, L.L.C.	United States	EP&S	Drilling & Completions
Inotec Coating and Hydraulics Inc.	Canada	EP&S	Coatings & Hydraulics

The Corporation continues to pursue growth of the EP&S segment through organic growth from existing operations and strategic acquisitions.

Organic growth is being achieved by:

- investing in the development of innovative new products and services that provide a competitive advantage and/or safety enhancement for our customers, resulting in increased in market share for McCoy;
- developing a global service team to provide service, technical sales support and training to our international and domestic customers, while pursuing new revenue generation opportunities;
- increasing international sales of capital equipment by deploying an international sales team and penetrating new markets; and
- increasing the sales of equipment lifecycle products, such as consumables and replacement parts, with the establishment of inventories at our new, strategically located international service centers.

The Corporation also continues to actively explore acquisition opportunities and has maintained a strong balance sheet as well as committed credit facilities to support a strategic acquisition.

EP&S HIGHLIGHTS – QUARTER ENDING MARCH 31, 2013

WE TOOK THE FIRST STEP IN EXECUTING OUR INTERNATIONAL TECHNICAL SERVICE MODEL STRATEGY

We established our first international company in the European region, McCoy Global UK Ltd. Operations are planned to commence in the second quarter of 2013 and increase over the remainder of the year.

In addition to providing a physical presence in the European region, McCoy Global UK Ltd. will provide technical service and customer support to improve our customer service commitments to our growing global customer base and generate additional sales opportunities for capital equipment, consumables and replacement parts.

WE STRENGTHENED OUR TEAM THROUGH STRATEGIC MANAGEMENT CHANGES

We added two strategic management positions to enhance our Drilling & Completions management team: Vice President, Operations and Director, New Product Development.

The Vice President, Operations will work with our Drilling & Completions manufacturing facilities to realize efficiencies and lead strategic projects.

The Director, New Product Development position was created through restructuring our New Product Development Department. The position will lead our research and development efforts to bring the "we" product line to market.

WE REALIZED THE FIRST COMMERCIAL SALE OF THE SECOND PRODUCT IN OUR INNOVATIVE "WE" PRODUCT LINE

Final field testing of the weTORQ85 (an iron roughneck product) was completed and we realized the first commercial sale of the weTORQ85 in the quarter.

Customer feedback on the weCATT, which was launched in the fourth quarter of 2012, remains positive.

Further development of our new "we" product line, including an electric bucking unit (weBUCK), a hydraulic catwalk (weMOVE35), a casing running tool (weRUN350), and a casing handling tool system with flush mount spider, conventional spider and elevator configurations (weHOLD), continued to progress.

WE INVESTED IN MANUFACTURING AND SERVICE CAPACITY

Manufacturing capacity for dies and inserts is being increased through the expansion of our facility in Louisiana. The expansion is underway and will be complete mid-year with the full impact on operations realized by the end of 2013. This increased capacity will provide additional production space required to support our new international distribution points.

Our Houston Service center relocated to a new, larger facility in anticipation of growth in demand for technical service.

WE CONTINUE TO REALIZE ORGANIC GROWTH

Comparing the first quarter of 2013 to 2012, EP&S realized an increase in revenue of $4.8 million, or 18%.

MOBILE SOLUTIONS OVERVIEW

The Mobile Solutions segment consists of the McCoy Trailers division. McCoy Trailers is involved in the manufacture and sale of specialized custom heavy-duty trailers largely used in the oil and gas industry for pressure pumping, coil tubing, rig transportation and heavy haul and is focused on serving oil and gas clients operating in the Western Canadian Sedimentary Basin and the United States. McCoy Trailers has exported products outside of North America on a limited basis.

McCoy Trailers consists of Peerless Limited ("Peerless") which is located in Penticton, British Columbia where both the Peerless and Scona branded trailers are manufactured. In addition to the wholly owned Penticton facility, McCoy Trailers also has subcontract relationships with manufacturing plants in Arkansas and Texas, which allow for the ramp up of production during periods of market peaks and contraction when markets decline.

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

McCoy designs and manufactures specialized custom drilling and well servicing chassis trailers used in pressure pumping and stimulation operations, particularly in shale oil and gas applications.

MOBILE SOLUTIONS HIGHLIGHTS – QUARTER ENDING MARCH 31, 2013

WE REALIZED IMPROVED FINANCIAL RESULTS	Gross profit percentage increased by 2% from the comparative quarter as a result of our cost cutting initiatives. We generated adjusted EBITDA of $0.6 million and operating cash flows of $3.8 million in the Mobile Solutions segment for the quarter.
WE DOUBLED THE SIZE OF OUR UNITED STATES DEALER NETWORK	We expanded our dealer network in the United States to four dealers. In the quarter, new dealership agreements were reached with dealers in North Dakota and Colorado, both locations near strategic markets. These relationships will enable us to broaden our geographic scope and pursue additional sales channels.
WE ARE SEEING POSITIVE SIGNS IN THE MARKET	We are beginning to see an increase in the level of sales quote activity. Backlog is stabilizing with positive indications of a recovery in the custom chassis market in the latter part of 2013.

FINANCIAL RESULTS

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

As at and for the three months ended March 31 ($000 except per share amounts)	2013	2012
Total revenue	**42,030**	45,533
Net earnings	**2,061**	2,154
Per common share – basic	**0.08**	0.08
Per common share – diluted	**0.08**	0.08
Adjusted EBITDA	**4,684**	4,571
Per common share – basic	**0.18**	0.17
Per common share – diluted	**0.17**	0.17
Dividends declared per common share	**0.05**	0.03
Total assets	**116,261**	111,556
Total liabilities	**37,168**	40,397
Total non-current liabilities	**11,079**	9,414

EBITDA and Adjusted EBITDA are calculated as follows:

For the three months ended March 31 ($000)	2013	2012
Net earnings	**2,061**	2,154
Income tax expense	**922**	1,003
Finance charges (net)	**188**	39
Depreciation	**1,052**	799
Amortization	**329**	333
EBITDA	**4,552**	4,328
Share-based compensation expense	**132**	243
Adjusted EBITDA	**4,684**	4,571

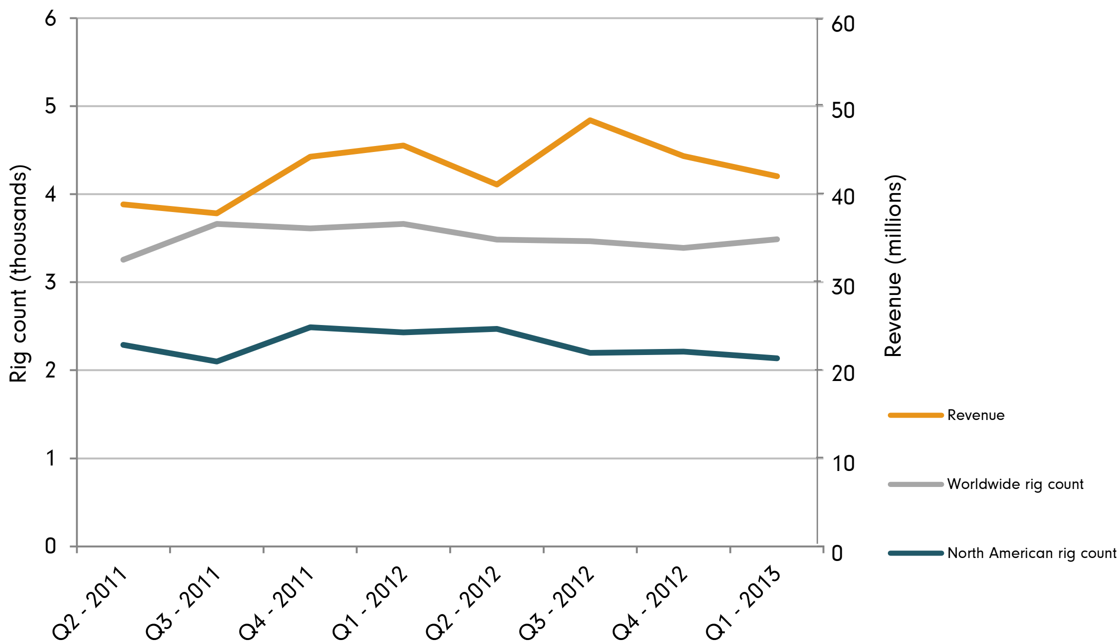
REVENUE

On a consolidated basis, revenue for the three months ended March 31, 2013 was $42.0 million, a decrease of $3.5 million, or 8%, from the comparative period.

Active rig counts

As the number of working rigs fluctuates in response to market fundamentals, we expect the demand for capital equipment to fluctuate accordingly. A correlation has historically existed between McCoy's revenues and rig counts. McCoy's customers increase or decrease their spending on capital equipment in response to changes in drilling activity. Capital expenditures by our customers increase revenue for McCoy and the rig counts are a strong indicator of future capital purchases. The timing between the increase or decrease in rig counts and the input on McCoy's revenue typically lags by approximately six months to one year.

A summary of the past eight quarters of information with respect to McCoy revenues and rig counts is as follows[1]:



[1]All references to rig counts can be accessed through Baker Hughes, Inc., http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm.

Fluctuations in the correlation arise when changes to the underlying business are made. For example, the impact of new product lines, increasing manufacturing capacity or improving market share may cause revenue growth to increase during periods of otherwise stable drilling activity. From quarter to quarter there may also be fluctuations in our revenue depending on the timing of when product is shipped and revenue is recognized.

Many of our international customers have longer lead times and are less impacted by short term fluctuations in the price of oil, particularly those operating offshore. Our focus on international sales offers geographic diversification as well as some stability to a North American revenue stream that has historically been subject to the highs and lows of the price of energy.

Although many factors exist that may cause variances in the correlation, historically there has been a trend between our revenues and rig counts. Management actively uses rig count activity as a tool to monitor and set expectations of the future performance of the Corporation.

Backlog

Backlog is a measure of the amount of customer orders the Corporation has outstanding and is therefore an indicator of a base level of future revenue potential. Backlog is not a GAAP measure and as a result, the definition and determination of backlog will vary among other issuers reporting a backlog figure.

The Corporation defines backlog as work that has a high certainty of being performed and is measured on the basis of a firm customer commitment, such as the receipt of a purchase order. Customers may default on or cancel such commitments, but most are secured by a deposit and/or require reimbursement by the customer upon default or cancellation. Backlog reflects likely future revenues; however, cancellations or reductions may occur and there can be no assurance that backlog amounts will ultimately be realized as revenue, or that the Corporation will earn a profit on backlog work. McCoy's backlog at the end of the first quarter of fiscal 2013 totaled $47.2 million. This is the first quarter the Corporation has reported backlog.

For the quarter, the EP&S segment received net sales orders of $22.3 million and recorded revenue of $31.0 million. Some softness in demand in North America has been noted in the latter part of 2012 and the first quarter of 2013, but there are signs that the market is picking up. Subsequent to March 31, 2013 we received have experienced an increase in opportunities to bid on international orders.

The Mobile Solutions segment received net sales orders of $9.0 million and recognized revenue of $11.1 million. Backlog significantly declined in this segment throughout 2012 and is now beginning to stabilize with positive indications of a recovery in the custom chassis market during the latter part of 2013.

Book-to-Bill Ratio

The book-to-bill ratio is a measure of the amount of net sales orders received to revenues recognized and billed in a set period of time. The ratio is an indicator of customer demand and sales order processing times. A ratio of above "1.0" indicates more net sales orders were received than orders shipped and billed. The book-to-bill ratio is not a GAAP measure and therefore the definition and calculation of the ratio will vary among other issuers reporting the book-to-bill ratio. McCoy calculates the book-to-bill ratio as net sales orders taken in the reporting period divided by the revenues reported for the same reporting period. The book-to-bill ratio for the Corporation for the three months ended March 31, 2013 was 0.74; with the EP&S segment reporting a book-to-bill ratio of 0.72 and the Mobile Solutions segment reporting a book-to-bill ratio of 0.81. This is the first quarter the Corporation has reported its book-to-bill ratio.

Geographic sales

The Corporation attributes revenue to a geographic location based on the location of the customer being invoiced. However, the geographic location where our equipment is ultimately placed into service may significantly differ from the customer invoice location. Many of our customers are large multi-national companies which may place an order in the United States, or another country, and redistribute our equipment. Further, we invoice equipment United States distributors who re-sell our equipment both domestically and internationally; we attribute this revenue to the United States total in the table below.

Geographic revenues are calculated on a consistent basis from period to period, but users are cautioned that this information may not reflect the actual geographic location our equipment is placed into service.

Although North American rig counts have declined slightly, international land and offshore drilling activity continues to strengthen in most geographic regions. Robust demand, in conjunction with efforts by the EP&S team to strengthen its international sales force and increase our international presence has resulted in positive revenue growth from both international customers and customers participating in international markets. As EP&S grows its global footprint through international sales of capital equipment, consumables, replacement parts and the addition of technical service teams, additional revenue generation opportunities continue to develop. In the quarter ended March 31, 2013 revenue attributed to the United States increased significantly from the comparative quarter; however we filled several orders for which our customers subsequently redistributed the equipment sold. We are seeing positive signs in the South American, African and South East Asian markets and subsequent to March 31, 2013 secured a large order in Latin America.

The Mobile Solutions segment's customer base is primarily in North America. Revenues for the quarter ended March 31, 2013 have declined in both Canada and the United States from the comparative quarter. The predominant decline was in Canada where we have traditionally sold a significant number of custom chassis for the North American pressure pumping and well servicing market.

A summary of geographic sales by segment is as follows:

($000)	2013			2012			
For the three months ended March 31	**EP&S**	**Mobile Solutions**	**Total**	EP&S	Mobile Solutions	Total	Change
United States	**18,426**	**3,136**	**21,562**	11,561	4,740	16,301	5,261
Canada	**3,902**	**7,925**	**11,827**	4,156	14,631	18,787	(6,960)
Europe	**3,588**	**-**	**3,588**	2,179	-	2,179	1,409
Middle East	**2,604**	**-**	**2,604**	3,193	-	3,193	(589)
Asia	**1,269**	**-**	**1,269**	3,039	-	3,039	(1,770)
United Kingdom	**499**	**-**	**499**	761	-	761	(262)
Africa	**233**	**-**	**233**	43	-	43	190
Latin America	**313**	**-**	**313**	966	-	966	(653)
Australasia	**135**	**-**	**135**	264	-	264	(129)
Total	**30,969**	**11,061**	**42,030**	26,162	19,371	45,533	(3,503)

Revenue is attributed to a geographical region based on the location of the customer invoiced, which may not necessarily reflect the product's final destination.

PROFITABILITY

The following tables summarize gross profit by reportable segment:

($000 except percentages)	Gross Profit		Change in Gross Profit	
For the three months ended March 31	**2013**	2012	$	%
Energy Products & Services	**10,257**	8,583	1,674	20%
Mobile Solutions	**1,654**	2,459	(805)	(33%)
Total	**11,911**	11,042	869	8%

For the three months ended March 31, 2013 gross profit was $11.9 million. This represents an increase of $0.9 million, or 8%, from the comparative period.

Increased gross profit for the three months ended March 31, 2013 is a result of increased revenue in the EP&S segment offset by a decline in revenue in the Mobile Solutions segment.

The following tables summarize adjusted EBITDA by reportable segment:

($000 except percentages)	Adjusted EBITDA		Change in Adjusted EBITDA	
For the three months ended March 31	**2013**	2012	$	%
Energy Products & Services	**5,226**	5,310	(84)	(2%)
Mobile Solutions	**573**	769	(196)	(25%)
Corporate	**(1,115)**	(1,508)	393	26%
Total	**4,684**	4,571	113	2%

For the three months ended March 31, 2013 adjusted EBITDA was $4.7 million, which was an increase of $0.1 million, or 2%, from the comparative period.

The increase in adjusted EBITDA is attributable to a decline in adjusted EBITDA in the EP&S and Mobile Solutions segments, off-set by a reduction in Corporate adjusted EBITDA due to foreign exchange gains and losses.

RESULTS OF OPERATIONS

EXTERNAL REVENUE BY OPERATING SEGMENT

($000 except percentages)	External Revenue		Change in External Revenue	
For the three months ended March 31	**2013**	2012	$	%
Energy Products & Services	**30,969**	26,162	4,807	18%
Mobile Solutions	**11,061**	19,371	(8,310)	(43%)
Total	**42,030**	45,533	(3,503)	(8%)

Energy Products & Services

For the three months ended March 31, 2013 revenue was $31.0 million, which was an increase of $4.8 million, or 18%, from the comparative period.

International and off shore markets remain strong, whereas North American markets are moderating. Overall, the EP&S segment realized an increase in revenue with backlog remaining relatively strong and as the impact of additional manufacturing capacity and product lines begins to be realized.

During the first quarter of 2012, we recorded a significant increase in backlog. Backlog levels increased in part on strong North American and international drilling activity. Towards the latter part of 2012 and into 2013, we experienced some softening in our backlog. Our plants remained at near capacity levels; however, we were able to take advantage of some manufacturing capacity to begin building finished goods inventory of standard equipment items to shorten lead times for our customers on future orders.

Mobile Solutions

For the three months ended March 31, 2013 revenue was $11.1 million, which was a decrease of $8.3 million, or 43%, from the comparative period.

Mobile Solutions continues to have strong demand from the heavy haul market, but the higher margin custom chassis market remains challenged, resulting in a decline in revenue in this segment from the comparative quarter.

Throughout 2012 and into 2013, the Mobile Solutions segment experienced a decline in market demand as pressure pumping customers decreased capital budgets. The decline in market fundamentals also increased competition within the heavy haul trailer market, which put further pressure on revenue generation. As a result, the segment has experienced a decline in revenue in comparison to the first quarter of 2012, when a healthy volume of sales was realized as a result of backlog secured in 2011. There are positive signs in the market place, although backlog levels are currently the lowest they have been in several years.

GROSS PROFIT BY OPERATING SEGMENT

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

($000 except percentages)	Gross Profit			Gross Profit %		
For the three months ended March 31	2013	2012	Change	2013	2012	Change
Energy Products & Services	10,257	8,583	1,674	33%	33%	-
Mobile Solutions	1,654	2,459	(805)	15%	13%	2%
Total	11,911	11,042	869	28%	24%	4%

Energy Products & Services

For the three months ended March 31, 2013 the EP&S gross profit percentage was 33%, which was consistent with the prior year.

Mobile Solutions

For the three months ended March 31, 2013, Mobile Solutions realized a 2% increase in the gross profit percentage from the comparative period.

The increase in profitability can be attributed to a number of factors. The expansion into the United States through sub-contracting channels was initially not as successful as was anticipated, which negatively impacted gross profit percentage in the comparative quarter. As these sub-contractor relationships mature and we refine our processes and strategy, the gross profit percentages generated on sub-contracted production has increased. Further, as market fundamentals declined throughout 2012, we responded by implementing cost cutting measures including a reduction in our hourly workforce. This has resulted in greater productivity and a slight increase in profitability.

With positive market indicators suggesting a recovery in the custom chassis market during the latter part of 2013 and Mobile Solutions continuing to leverage three sub-contractor relationships in the United States, the segment has positioned itself well to respond proactively to fluctuations in market demand.

ADJUSTED EBITDA BY OPERATING SEGMENT

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

($000 except percentages)	Adjusted EBITDA			Adjusted EBITDA as a % of External Revenue		
For the three months ended March 31	2013	2012	Change	2013	2012	Change
Energy Products & Services	5,226	5,310	(84)	17%	20%	(3%)
Mobile Solutions	573	769	(196)	5%	4%	1%
Corporate	(1,115)	(1,508)	393	-	-	-
Total	4,684	4,571	113	11%	10%	1%

Energy Products & Services

For the three months ended March 31, 2013, as a percentage of revenue, adjusted EBITDA decreased by 3% from the comparative period.

Strong revenue and gross profit percentage were offset by increased general and administrative expenses incurred to strategically invest in strengthening our management team, infrastructure, international expansion and new product development.

The majority of the new management hires we made in 2012 were made in the mid to latter part of 2012. Accordingly, these salaries were not included in the comparative quarter. Comparatively, we have also increased the level of investment we are making in our new product development team and realized upfront costs related to establishing our regional technical service and customer support centers in the European and Southeast Asian regions. These outlays resulted in higher general and administrative expense from the comparative quarter which was not offset by proportionate increases in EP&S gross profit. These investments may require longer lead times to generate proportionate returns and are consistent with our strategic objectives.

Mobile Solutions

For the three months ended March 31, 2013, adjusted EBITDA as a percentage of revenue increased by 1% from the comparative period.

Mobile Solutions saw revenues decline $8.3 million comparing the first quarter of 2013 to 2012; however, adjusted EBITDA only declined by $0.2 million. The increase in adjusted EBITDA as a percentage of revenue can be attributed to decreases in both general and administrative expenses and sales and marketing expenses as a result of efforts made to reduce overhead costs throughout 2012 and into 2013.

Corporate

For the three months ended March 31, 2013, Corporate expenses have decreased by $0.4 million or 26% from the comparative period. This primarily results from favorable foreign currency gains on the Corporation's United States denominated funds as a $0.2 million foreign exchange gain was recorded in the quarter ending March 31, 2013 as compared to a $0.2 million foreign exchange loss in the comparative quarter.

GENERAL AND ADMINISTRATION

General and administration expense for the three months ended March 31, 2013 was $6.6 million. This represents an increase of $1.4 million, or 27%, from the comparative period. As a percentage of revenue, general and administrative expense was 16% for the three months ended March 31, 2013, which is an increase of 4% from the comparative period.

The increase in general and administration expense is attributable to a combination of lower revenues and our investments in repositioning the Corporation and preparing for future growth. As compared to the first quarter of 2012, the 2013 increase in general and administration expense is primarily attributable to higher salary expenses associated with new hires in the mid to latter portion of 2012. We also incurred higher expenses related to upfront costs associated with establishing service center locations internationally.

As we continue to grow McCoy, we will continue to make strategic investments in people and infrastructure to support our long-term growth when these decisions will yield long-term returns for our stakeholders. The pace at which we have been making additional investments that are resulting in higher general and administrative expense is slowing. As many of our investments driving higher general and administration expense were made throughout 2012, the full impact of these investments on general and administration expense will be fully realized in 2013. Once our growth strategy initiatives are achieved, we anticipate that our general and administration expense will stabilize and, as a percentage of revenue, decline to more historic levels.

SALES AND MARKETING

Sales and marketing expense for the three months ended March 31, 2013 was $1.7 million as compared to $2.0 million in the comparative period, a decrease of 17%. As a percentage of revenue, sales and marketing expense was 4% for the three months ended March 31, 2013, which was consistent with the comparative quarter.

The slight decrease in sales and marketing expense is primarily a result of lower commissions paid in the Mobile Solutions segment as a result of lower revenues.

RESEARCH AND DEVELOPMENT

Research and development expense for the three months ended March 31, 2013 was $0.7 million as compared to $0.3 million in the comparative period, an increase of $0.4 million. The increase is a result of adding new product lines to our development pipeline and increasing the team and infrastructure to support this new product development. In addition, increased expenditures were incurred related to restructuring the new product development team.

FINANCE CHARGES (NET)

Finance charges (net) were $0.2 million for the three months ended March 31, 2013 and have increased from nominal charges in the comparative period. The increase in charges is attributable to our $50 million credit facility which was executed in the fourth quarter of 2012.

OTHER GAINS AND LOSSES (NET)

Included in other gains and losses (net) was a gain of $0.3 million for the three months ended March 31, 2013 compared to a loss of $0.3 million in the comparative period. This primarily results from favorable foreign exchange gains on the Corporation's United States denominated financial instruments in the quarter ending March 31, 2013 as compared to a $0.3 million foreign exchange loss in the comparative quarter.

SUMMARY OF QUARTERLY RESULTS

	2013	2012				2011		
	Mar 31	Dec 31	Sep 30	June 30	Mar 31	Dec 31	Sep 30	Jun 30
Total revenue	**42,030**	44,321	48,410	41,108	45,533	44,251	37,815	38,834
Net earnings from continuing operations	**2,061**	3,255	4,236	2,127	2,154	3,659	3,010	3,222
Net earnings	**2,061**	3,255	4,236	2,127	2,154	3,809	3,010	3,284
Basic earnings per share from continuing operations	**0.08**	0.12	0.16	0.08	0.08	0.14	0.11	0.12
Basic earnings per share	**0.08**	0.12	0.16	0.08	0.08	0.14	0.11	0.12
Diluted earnings per share from continuing operations	**0.08**	0.12	0.16	0.08	0.08	0.14	0.11	0.12
Diluted earnings per share	**0.08**	0.12	0.16	0.08	0.08	0.14	0.11	0.12

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW

At March 31, 2013, the Corporation has $16.4 million in cash and cash equivalents and access to $40.6 million in available funds under its $50.0 million senior secured revolving credit facility. As of March 31, 2013, $9.4 million had been drawn and was outstanding under this facility.

Selected cash flow and capitalization information is as follows:

($000) **For the three months ended March 31**	**2013**	2012
Cash used in operating activities	**(5,993)**	(3,343)
Cash used in investing activities	**(268)**	(1,543)
Cash generated from (used in) financing activities	**155**	(187)
Debt to equity ratio	**0.47 to 1**	0.57 to 1

Cash used in operating activities for the three months ended March 31, 2013 was $6.0 million compared to $3.3 million used in the same period in 2012. The decline in cash flow from 2012 is a result of investments made to increase working capital in 2013 to support anticipated revenue growth and customer demand offset by lower income taxes paid.

Cash flows used in investing activities for the three months ended March 31, 2013 were $0.3 million compared to $1.5 million in the comparative period. The improvement in cash flow is primarily attributable to lower capital purchases and the sale of our Houston technical service center building. The Houston technical service center was sold and a new larger facility leased. We anticipate that additional capital will be spent over the year to facilitate growth initiatives as well as to sustain existing capital.

Cash flows generated from financing activities for the three months ended March 31, 2013 were $0.2 million, compared to the use of $0.2 million of cash in the comparative period. In the comparative quarter, there were $0.2 of debt repayments that were not required in the current period. In addition, $0.2 million was generated in the current period from the exercise of stock options.

Management believes that with the projected level of operations for 2013 and the availability of cash and cash equivalents along with funds under the established credit facility, McCoy will have sufficient capital to fund its operations and strategic growth. Historically, capital expansion has been financed by cash provided from operating activities, or by utilizing existing long-term credit facilities. Management may also consider raising proceeds through equity or debt offerings. Management consistently monitors economic conditions and will manage capital spending accordingly.

The debt to equity ratio may fluctuate as McCoy completes acquisitions and alternate forms of financing are used.

OTHER FINANCIAL INFORMATION

OUTSTANDING SHARE DATA

As at April 30, 2013 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	**26,757,578**
Convertible equity securities: stock options	**1,403,334**

The stock options are exercisable into an equal number of common shares.

DIVIDENDS

A summary of historical dividend information is as follows:

Dividend declared	Dividend paid	Amount per common share
March 14, 2013	April 12, 2013	$0.05
December 12, 2012	December 31, 2012	$0.05
August 17, 2012	September 17, 2012	$0.05
May 17, 2012	June 15, 2012	$0.05
March 22, 2012	April 12, 2012	$0.03
December 13, 2011	December 30, 2011	$0.03
September 30, 2011	October 28, 2011	$0.01
May 19, 2011	June 30, 2011	$0.01
March 17, 2011	April 11, 2011	$0.04
March 10, 2011	March 31, 2011	$0.01

CONTROLS AND PROCEDURES

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has evaluated whether there were changes in our Internal Controls over Financial Reporting (ICFR) during the three month period ended March 31, 2013 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 2012 Annual Report. Please see page 32 of McCoy's 2012 Annual Report for a discussion of internal controls over financial reporting and disclosure controls.

There have been no significant changes in the following items from those described in our 2012 Annual Report. Please refer to the page numbers listed below from McCoy's 2012 Annual Report:

- Financial instruments and financial risk management – pages 24-26;
- Capital management – page 27;
- Contractual obligations and off balance sheet arrangements – page 28;
- Related party transactions – page 28-29;
- Critical accounting estimates and judgments – page 30; and
- Critical risks and uncertainties – pages 33-36.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR.

OTHER INFORMATION

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2012 is available on SEDAR at www.sedar.com.