

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2013

(unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)
(unaudited)

	June 30, 2013	December 31, 2012
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	18,855	22,122
Trade and other receivables	20,812	17,257
Inventories	36,799	35,521
Income tax recoverable	449	1,007
Other current assets	1,196	840
	78,111	76,747
Property, plant and equipment	25,506	26,181
Intangible assets	14,400	13,941
Deferred tax assets	1,348	814
Total assets	119,365	117,683
Liabilities		
Current liabilities		
Trade and other payables	23,186	25,986
Provisions	1,544	1,731
Income tax payable	1,383	1,270
Finance lease obligations	52	133
	26,165	29,120
Borrowings	8,526	8,842
Deferred tax liabilities	2,269	2,225
Total liabilities	36,960	40,187
Shareholders' equity		
Share capital	57,078	56,572
Contributed surplus	3,993	3,970
Accumulated other comprehensive income (loss)	1,002	(942)
Retained earnings	20,332	17,896
Total shareholders' equity	82,405	77,496
Total liabilities and shareholders' equity	119,365	117,683

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(in thousands of Canadian dollars, except per share amounts)
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Revenue	42,390	41,108	84,420	86,641
Cost of sales	28,604	30,150	58,723	64,641
Gross profit	13,786	10,958	25,697	22,000
General and administration	6,938	5,505	13,575	10,744
Sales and marketing	2,263	2,315	3,943	4,335
Research and development	463	276	1,137	548
Finance charges (net)	204	62	392	101
Other (gains) losses (net)	(183)	(394)	(434)	(79)
	9,685	7,764	18,613	15,649
Earnings before income taxes	4,101	3,194	7,084	6,351
Income tax expense (recovery)				
Current	1,401	419	2,414	1,235
Deferred	(351)	648	(442)	835
	1,050	1,067	1,972	2,070
Net earnings	3,051	2,127	5,112	4,281
Other comprehensive income (loss)				
Translation gain (loss) of foreign operations	1,346	625	1,944	(97)
Comprehensive income	4,397	2,752	7,056	4,184
Earnings per share				
Basic	0.11	0.08	0.19	0.16
Diluted	0.11	0.08	0.19	0.16

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars, except per share amounts)
(unaudited)

	Issued capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
	Number of shares	Amount				
	#	\$	\$	\$	\$	\$
Balances, January 1, 2012	26,509,245	56,152	3,579	(268)	10,906	70,369
Net earnings	-	-	-	-	4,281	4,281
Translation (loss) on foreign operations	-	-	-	(97)	-	(97)
Employee share based compensation expense	-	-	288	-	-	288
Dividends	-	-	-	-	(2,121)	(2,121)
Common shares issued on exercise of stock options	1,667	3	(1)	-	-	2
Balances, June 30, 2012	26,510,912	56,155	3,866	(365)	13,066	72,722
Net earnings	-	-	-	-	7,491	7,491
Translation gain on foreign operations	-	-	-	(577)	-	(577)
Employee share based compensation expense	-	-	219	-	-	219
Dividends	-	-	-	-	(2,661)	(2,661)
Common shares issued on exercise of stock options	159,999	417	(115)	-	-	302
Balances, December 31, 2012	26,670,911	56,572	3,970	(942)	17,896	77,496
Net earnings	-	-	-	-	5,112	5,112
Translation gain on foreign operations	-	-	-	1,944	-	1,944
Employee share based compensation expense	-	-	158	-	-	158
Dividends	-	-	-	-	(2,676)	(2,676)
Common shares issued on exercise of stock options	136,665	506	(135)	-	-	371
Balances, June 30, 2013	26,807,576	57,078	3,993	1,002	20,332	82,405

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(in thousands of Canadian dollars, except per share amounts)
(unaudited)

For the six months ended June 30	2013	2012
Cash generated from (used in)	\$	\$
Operating activities		
Net earnings	5,112	4,281
Adjustments for:		
Depreciation of property, plant and equipment	2,127	1,649
Amortization of intangible assets	688	662
Current income tax expense	2,414	1,235
Deferred tax expense	(442)	835
Finance charges (net)	392	101
EBITDA⁽¹⁾	10,291	8,763
Share-based compensation expense	337	380
Adjusted EBITDA⁽²⁾	10,628	9,143
(Gain) loss on disposal of property, plant and equipment	(31)	18
Changes in non-cash working capital balances	(7,677)	(8,724)
Interest paid	(384)	(162)
Interest received	36	61
Income taxes paid	(1,766)	(4,498)
Net cash generated from (used in) operating activities	806	(4,162)
Investing activities		
Repayment of notes receivable	20	1,208
Purchases of property, plant and equipment	(1,862)	(4,481)
Proceeds from sale of property, plant and equipment	929	41
Additions to intangible assets	(1,112)	(426)
Net cash used in investing activities	(2,025)	(3,658)
Financing activities		
Payment of finance lease obligations	(81)	(139)
Repayment of borrowings	(427)	(817)
Proceeds from issuance of share capital on exercise of options	371	2
Dividends paid	(2,676)	(2,121)
Net cash generated used in financing activities	(2,813)	(3,075)
Effect of exchange rate changes on cash and cash equivalents	765	(900)
Decrease in cash and cash equivalents	(3,267)	(11,795)
Cash and cash equivalents - beginning of the period	22,122	29,383
Cash and cash equivalents - end of the period	18,855	17,588

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

⁽¹⁾EBITDA is an additional GAAP measure presented under IFRS defined as "net earnings before impairment losses, finance charges (net), income tax expense, depreciation, and amortization".

⁽²⁾ 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, in financial disclosures previous to the first quarter of 2013 'adjusted EBITDA' was referred to as "EBITDAS".

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2013

(in thousands of Canadian dollars, except share data or unless otherwise specified)

(unaudited)

1. NATURE OF OPERATIONS

McCoy Corporation ("McCoy") provides specialized equipment, service and replacement components to the global oil and gas sector. McCoy is incorporated and domiciled in Canada and has two operating segments: Energy Products & Service ("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 manufactures specialized custom heavy-duty trailers primarily used in the oil and gas industry for pressure pumping, coil tubing and rig transport.

Set out below are McCoy's principal operations:

Operating Name	Country of Incorporation	Division
EP&S		
Farr Canada Corp.	Canada	Drilling & Completions
Inotec Coating and Hydraulics Inc.	Canada	Coatings & Hydraulics
McCoy Global Singapore Pte. Ltd.	Singapore	Drilling & Completions
McCoy Global UK Ltd.	United Kingdom	Drilling & Completions
Precision Die Technologies, L.L.C.	United States	Drilling & Completions
Superior Manufacturing & Hydraulics, Inc.	United States	Drilling & Completions
McCoy Rig Parts, operating as a division of Superior Manufacturing & Hydraulics, Inc.	Not applicable	Drilling & Completions
Mobile Solutions		
Peerless Limited	Canada	Trailers

McCoy and its principal operations are collectively referred to herein as the "Corporation".

The address of the registered office of the Corporation is Suite 301, 9618-42 Avenue, Edmonton, Alberta. The Corporation is listed on the Toronto Stock Exchange under the symbol MCB and the OTCQX International under the symbol MCCRF.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with International Financial Reporting Standards.

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year, except as described on the following page.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2013

(in thousands of Canadian dollars, except share data or unless otherwise specified)

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CHANGES IN ACCOUNTING POLICIES

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, CONSOLIDATED FINANCIAL STATEMENTS, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation-Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

The Corporation has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 does not result in any change in the consolidation status of any of its subsidiaries or investees.

IFRS 13, FAIR VALUE MEASUREMENT, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Corporation adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as of January 1, 2013.

IAS 1, AMENDMENT, PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME, the Corporation has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Corporation to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. Other comprehensive income consists of translation gains and losses related to the Corporation's foreign operations and may be subsequently reclassified to net earnings. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

These condensed consolidated interim financial statements were approved for issue on August 7, 2013.

3. DIVIDENDS

Dividend declared	Dividend paid	Total dividend	Amount per common share
		\$	\$
May 16, 2013	June 14, 2013	1,339	0.05
March 14, 2013	April 12, 2013	1,337	0.05
December 12, 2012	December 31, 2012	1,335	0.05
August 17, 2012	September 17, 2012	1,326	0.05
May 17, 2012	June 15, 2012	1,326	0.05
March 22, 2012	April 12, 2012	795	0.03

4. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and finance lease obligations.

The fair value of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying value due to their short-term nature.

The fair values of borrowings and finance lease obligations approximate carrying value as market rates of interest do not differ significantly for instruments with similar terms to maturity.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2013

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5. SEGMENTED REPORTING

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED JUNE 30, 2013

	Revenue	Gross profit	Adjusted EBITDA	Earnings (loss) before income taxes
	\$	\$	\$	\$
EP&S	33,092	12,252	7,097	6,072
Mobile Solutions	9,298	1,534	391	283
Corporate	-	-	(1,544)	(2,254)
Total	42,390	13,786	5,944	4,101

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED JUNE 30, 2012

	Revenue	Gross profit	Adjusted EBITDA	Earnings (loss) before income taxes
	\$	\$	\$	\$
EP&S	26,594	9,311	5,254	4,356
Mobile Solutions	14,514	1,647	294	186
Corporate	-	-	(976)	(1,348)
Total	41,108	10,958	4,572	3,194

RECONCILIATION OF ADJUSTED EBITDA FOR THE THREE MONTHS ENDED JUNE 30

	2013	2012
	\$	\$
Earnings before income taxes	4,101	3,194
Finance charges (net)	204	62
Depreciation	1,075	850
Amortization	359	329
EBITDA	5,739	4,435
Share-based compensation expense	205	137
Adjusted EBITDA	5,944	4,572

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2013

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SEGMENT INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2013

	Revenue	Gross profit	Adjusted EBITDA	Earnings (loss) before income taxes
	\$	\$	\$	\$
EP&S	64,061	22,509	12,323	10,309
Mobile Solutions	20,359	3,188	964	746
Corporate	-	-	(2,659)	(3,971)
Total	84,420	25,697	10,628	7,084

SEGMENT INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2012

	Revenue	Gross profit	Adjusted EBITDA	Earnings (loss) before income taxes
	\$	\$	\$	\$
EP&S	52,756	17,894	10,368	8,570
Mobile Solutions	33,885	4,106	970	758
Corporate	-	-	(2,195)	(2,977)
Total	86,641	22,000	9,143	6,351

RECONCILIATION OF ADJUSTED EBITDA FOR THE SIX MONTHS ENDED JUNE 30

	2013	2012
	\$	\$
Earnings before income taxes	7,084	6,351
Finance charges (net)	392	101
Depreciation	2,127	1,649
Amortization	688	662
EBITDA	10,291	8,763
Share-based compensation expense	337	380
Adjusted EBITDA	10,628	9,143

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IDENTIFIABLE ASSETS AND LIABILITIES AS AT JUNE 30, 2013

	EP&S	Mobile Solutions	Corporate	Total
	\$	\$	\$	\$
Total identifiable assets	78,096	15,646	25,623	119,365
Total identifiable liabilities	22,671	5,187	9,102	36,960

IDENTIFIABLE ASSETS AND LIABILITIES AS AT DECEMBER 31, 2012

	EP&S	Mobile Solutions	Corporate	Total
	\$	\$	\$	\$
Total identifiable assets	64,492	19,559	33,632	117,683
Total identifiable liabilities	21,235	5,828	13,124	40,187