

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2013

(unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)
(unaudited)

	September 30, 2013	December 31, 2012
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	26,694	22,122
Trade and other receivables	17,844	17,257
Inventories	38,135	35,521
Income tax recoverable	1,587	1,007
Other current assets	1,462	840
	85,722	76,747
Property, plant and equipment	26,582	26,181
Intangible assets	15,340	13,941
Deferred tax assets	1,608	814
Total assets	129,252	117,683
Liabilities		
Current liabilities		
Trade and other payables	29,146	25,986
Dividend payable	1,346	-
Provisions	1,441	1,731
Income tax payable	1,845	1,270
Finance lease obligations	-	133
	33,778	29,120
Borrowings	8,582	8,842
Deferred tax liabilities	2,108	2,225
Total liabilities	44,468	40,187
Shareholders' equity		
Share capital	57,640	56,572
Contributed surplus	3,862	3,970
Accumulated other comprehensive income (loss)	265	(942)
Retained earnings	23,017	17,896
Total shareholders' equity	84,784	77,496
Total liabilities and shareholders' equity	129,252	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 September 30		Nine months ended September 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Revenue	40,790	48,410	125,210	135,051
Cost of sales	27,217	34,226	85,940	98,867
Gross profit	13,573	14,184	39,270	36,184
General and administration	5,206	5,572	18,781	16,316
Sales and marketing	1,901	1,917	5,844	6,252
Research and development	306	278	1,443	826
Finance charges (net)	172	84	564	185
Other (gains) losses (net)	186	433	(248)	354
	7,771	8,284	26,384	23,933
Earnings before income taxes	5,802	5,900	12,886	12,251
Income tax expense (recovery)				
Current	2,225	2,369	4,639	3,604
Deferred	(454)	(705)	(896)	130
	1,771	1,664	3,743	3,734
Net earnings	4,031	4,236	9,143	8,517
Other comprehensive income (loss)				
Translation gain (loss) of foreign operations	(737)	(910)	1,207	(1,007)
Comprehensive income	3,294	3,326	10,350	7,510
Earnings per share				
Basic	0.15	0.16	0.34	0.32
Diluted	0.15	0.16	0.33	0.32

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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	-	-	-	-	8,517	8,517
Translation (loss) on foreign operations	-	-	-	(1,007)	-	(1,007)
Employee share based compensation expense	-	-	442	-	-	442
Dividends	-	-	-	-	(3,447)	(3,447)
Common shares issued on exercise of stock options	49,500	108	(34)	-	-	74
Balances, September 30, 2012	26,558,745	56,260	3,987	(1,275)	15,976	74,948
Net earnings	-	-	-	-	3,255	3,255
Translation gain on foreign operations	-	-	-	333	-	333
Employee share based compensation expense	-	-	65	-	-	65
Dividends	-	-	-	-	(1,335)	(1,335)
Common shares issued on exercise of stock options	112,166	312	(82)	-	-	230
Balances, December 31, 2012	26,670,911	56,572	3,970	(942)	17,896	77,496
Net earnings	-	-	-	-	9,143	9,143
Translation gain on foreign operations	-	-	-	1,207	-	1,207
Employee share based compensation expense	-	-	200	-	-	200
Dividends	-	-	-	-	(4,022)	(4,022)
Common shares issued on exercise of stock options	249,996	1,068	(308)	-	-	760
Balances, September 30, 2013	26,920,907	57,640	3,862	265	23,017	84,784

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

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

For the nine months ended September 30	2013	2012
Cash generated from (used in)	\$	\$
Operating activities		
Net earnings	9,143	8,517
Adjustments for:		
Depreciation of property, plant and equipment	3,249	2,476
Amortization of intangible assets	1,051	1,108
Current income tax expense	4,639	3,604
Deferred tax (recovery) expense	(896)	130
Finance charges (net)	564	185
EBITDA⁽¹⁾	17,750	16,020
Share-based compensation expense	598	574
Adjusted EBITDA⁽²⁾	18,348	16,594
Gain on disposal of property, plant and equipment	(70)	(20)
Changes in non-cash working capital balances	(1,053)	(11,449)
Interest paid	(461)	(254)
Interest received	63	69
Income taxes paid	(4,466)	(6,523)
Net cash generated from (used in) operating activities	12,361	(1,583)
Investing activities		
Repayment of notes receivable	29	1,342
Purchases of property, plant and equipment	(4,307)	(6,809)
Proceeds from sale of property, plant and equipment	1,057	89
Additions to intangible assets	(2,447)	(782)
Net cash used in investing activities	(5,668)	(6,160)
Financing activities		
Payment of finance lease obligations	(133)	(195)
Repayment of borrowings	(427)	(930)
Proceeds from issuance of share capital on exercise of options	760	74
Dividends paid	(2,676)	(3,447)
Net cash used in financing activities	(2,476)	(4,498)
Effect of exchange rate changes on cash and cash equivalents	355	(1,671)
Increase (decrease) in cash and cash equivalents	4,572	(13,912)
Cash and cash equivalents - beginning of the period	22,122	29,383
Cash and cash equivalents - end of the period	26,694	15,471

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⁽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 nine months ended September 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 nine months ended September 30, 2013

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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 November 6, 2013.

3. DIVIDENDS

Dividend declared	Dividend paid	Total dividend	Amount per common share
		\$	\$
September 26, 2013	October 25, 2013	1,346	0.05
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, dividend payable and borrowings.

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

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

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5. SEGMENTED REPORTING

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013

	Revenue	Gross profit	Adjusted EBITDA	Earnings (loss) before income taxes
	\$	\$	\$	\$
EP&S	32,304	12,692	8,469	7,412
Mobile Solutions	8,486	881	312	209
Corporate	-	-	(1,061)	(1,819)
Total	40,790	13,573	7,720	5,802

SEGMENT INFORMATION FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012

	Revenue	Gross profit	Adjusted EBITDA	Earnings (loss) before income taxes
	\$	\$	\$	\$
EP&S	33,395	12,723	8,609	7,603
Mobile Solutions	15,015	1,461	49	(58)
Corporate	-	-	(1,207)	(1,645)
Total	48,410	14,184	7,451	5,900

RECONCILIATION OF ADJUSTED EBITDA FOR THE THREE MONTHS ENDED SEPTEMBER 30

	2013	2012
	\$	\$
Earnings before income taxes	5,802	5,900
Finance charges (net)	172	84
Depreciation	1,122	827
Amortization	363	446
EBITDA	7,459	7,257
Share-based compensation expense	261	194
Adjusted EBITDA	7,720	7,451

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SEGMENT INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

	Revenue	Gross profit	Adjusted EBITDA	Earnings (loss) before income taxes
	\$	\$	\$	\$
EP&S	96,365	35,201	20,792	17,721
Mobile Solutions	28,845	4,069	1,276	955
Corporate	-	-	(3,720)	(5,790)
Total	125,210	39,270	18,348	12,886

SEGMENT INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

	Revenue	Gross profit	Adjusted EBITDA	Earnings (loss) before income taxes
	\$	\$	\$	\$
EP&S	86,151	30,617	18,977	16,173
Mobile Solutions	48,900	5,567	1,019	700
Corporate	-	-	(3,402)	(4,622)
Total	135,051	36,184	16,594	12,251

RECONCILIATION OF ADJUSTED EBITDA FOR THE NINE MONTHS ENDED SEPTEMBER 30

	2013	2012
	\$	\$
Earnings before income taxes	12,886	12,251
Finance charges (net)	564	185
Depreciation	3,249	2,476
Amortization	1,051	1,108
EBITDA	17,750	16,020
Share-based compensation expense	598	574
Adjusted EBITDA	18,348	16,594

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IDENTIFIABLE ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2013

	EP&S	Mobile Solutions	Corporate	Total
	\$	\$	\$	\$
Total identifiable assets	76,835	14,994	37,423	129,252
Total identifiable liabilities	28,837	4,863	10,768	44,468

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