



TECHNICOIL CORPORATION

1510, 555 – 4th Avenue S.W.
Calgary, AB, Canada T2P 3E7
Tel: (403) 509-0700
Fax: (403) 509-0701

Email: info@technicoilcorp.com
Website: www.technicoilcorp.com

NOT FOR DISTRIBUTION INTO THE UNITED STATES OR TO UNITED STATES WIRE SERVICES

Symbol: TEC
Exchange: Toronto Stock Exchange
Issued: March 16, 2009

TECHNICOIL CORPORATION ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2008

Technicoil Corporation (“Technicoil” or “Corporation”) today announced record financial and operating results for the quarter and year ended December 31, 2008. Revenue, EBITDA (1), and funds flow from operations before changes in non-cash working capital all surpassed previous record results. A goodwill impairment charge resulted in the Corporation incurring a net loss of \$3.4 million, or \$0.05 per share, for the year ended December 31, 2008. Excluding the goodwill impairment charge, adjusted net earnings for the year would have been \$4.0 million, or \$0.06 per share.

Technicoil is an oilfield services company operating primarily in the Western Canadian Sedimentary Basin (“WCSB”). The Corporation’s business is conducted through two divisions: Well Servicing and Drilling.

FINANCIAL & OPERATING HIGHLIGHTS

(\$ thousands)	Three Months Ended December 31,			Year Ended December 31,		
	2008	2007	% change	2008	2007	% change
Revenue						
Well Servicing	\$14,575	\$9,955	46%	\$45,828	\$25,193	82%
Drilling	\$6,125	\$4,591	33%	\$16,451	\$15,962	3%
Total Revenue	\$20,700	\$14,546	42%	\$62,279	\$41,155	51%
Gross Margin	\$6,114	\$5,184	18%	\$18,620	\$13,455	38%
Gross Margin %	30%	36%	(17%)	30%	33%	(9%)
General and Administrative Costs	\$1,063	\$555	92%	\$3,230	\$2,788	16%
EBITDA (1)	\$5,038	\$4,618	9%	\$15,661	\$11,290	39%
Net (Loss) Income	(\$5,638)	\$2,630	(314%)	(\$3,380)	\$2,545	(233%)
Per share – basic	(\$0.08)	\$0.04	(300%)	(\$0.05)	\$0.04	(225%)
Per share – diluted	(\$0.08)	\$0.04	(300%)	(\$0.05)	\$0.04	(225%)
Impairment loss on goodwill	(\$7,391)	-	-	(\$7,391)	-	-
Per share – basic	(\$0.11)	-	-	(\$0.11)	-	-
Per share – diluted	(\$0.11)	-	-	(\$0.11)	-	-
Funds flow from operations (2)	\$4,440	\$3,951	12%	\$14,551	\$10,703	36%
Well Servicing Operating Hours	14,968	9,739	54%	46,241	21,735	113%
Drilling Operating Days	315	254	24%	931	842	11%

- (1) EBITDA, or earnings before interest, taxes, depreciation and amortization and impairment of goodwill, is considered to be a non-GAAP measure that does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. Management believes EBITDA is useful for providing investors with a measure of results generated by the Corporation’s principal business activities prior to consideration of how these activities are financed, taxed or depreciated.
- (2) Funds flow from operations is defined as cash from operating activities before changes in non-cash working capital, as presented on the Corporation’s Statement of Cash Flows. Funds flow from operations is a measure that provides investors additional information regarding the Corporation’s liquidity and its ability to generate funds to finance its operations. Funds from operations does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

OVERVIEW OF RESULTS

The Corporation embarked on a path to establish a more diversified business, less reliant on shallow natural gas operations, over the past few years. During this time period, the Corporation expanded its service fleet to include conventional service rigs with the acquisition of Storm Service Rigs Inc. (“Storm”) in 2007, broadened the service offering of the coiled tubing service fleet, and expanded its hybrid drilling fleet to include five generation II units. This repositioning has enabled the Corporation to pro-actively penetrate the key resource plays in the WCSB. In the Montney resource play, for instance, Technicoil has established itself as a provider of choice by a number of companies for well completion by its time and cost effective approach to completions. The Corporation achieved strong financial and operating results in spite of the industry downturn in the latter half of 2008. Key accomplishments in 2008 include:

- Achieved revenue growth of 51% in comparison with the prior year, resulting in record annual revenue of \$62.7 million;
- Improved EBITDA and funds flow from operations relative to the prior year by 39% to \$15.7 million, and 36% to \$14.6 million, respectively, both surpassing prior record results reported in 2006;
- Attained record number of annual operating hours for the Well Servicing division of 46,241 hours, eclipsing the prior annual record of 21,735 hours achieved in 2007;
- Generated 73% of operating hours in the Well Servicing division from activities other than shallow gas fracturing;
- Fully integrated the Storm acquisition of August 2007 into the operations of the Corporation;
- Expanded the operating capability of the coiled tubing rigs to service the Montney resource play, and positioned equipment to enter the Horn River resource play;
- Outperformed drilling industry in terms of utilization rates of its hybrid drilling fleet;
- Strengthened the balance sheet by reducing net debt, defined as long term debt net of working capital, from \$14.6 million as at December 31, 2007 to \$6.7 million at the end of the current year. Subsequent to the end of the year, the Corporation has further reduced long-term debt from \$22.3 million at December 31, 2008 to \$15.8 million at March 16, 2009.

The continued weakening economic outlook resulted in the Corporation performing an impairment test on goodwill at the end of the year. As a result of declining valuations for securities of Canadian service companies, often below book value, the Corporation recorded an impairment charge for goodwill in the fourth quarter of 2008 of \$7.4 million. Contributing to the reduction in valuations include the limited access to capital for E&P companies which represent the Corporation’s primary customer base, lower-cost shale gas plays in the United States competing for North-American and global investments, and an entrenched global recession leading to a potentially long-term correction to market fundamentals. The impairment charge resulted in the Corporation incurring a net loss in 2008 of \$3.4 million, or \$0.05 per share in 2008, in comparison with net earnings in 2007 of \$2.5 million, or \$0.04 per share. Excluding the impact of the impairment charge, net earnings for 2008 would have been \$4.0 million, or \$0.06 per share, which would have represented an increase of \$1.5 million or 58% in comparison with the prior year.

RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2008

REVENUE

The Corporation generated record quarterly revenue of \$20.7 million in the fourth quarter of 2008 in comparison with \$14.5 million for the comparable period of the prior year. The \$6.2 million (or 42%) increase in revenue resulted from a 46% increase in revenue from the Well Servicing Division and a 33% increase in revenue from the Drilling Division. The major contributor to the revenue improvement in the fourth quarter over the prior year comparative period was the significant increase in operating hours/days for the Well Servicing and Drilling divisions, which increased by 54% and 24%, respectively. Within the Well Servicing Division, activity from services other than shallow natural gas fracturing increased from 49% of operating hours in the fourth quarter of 2007 to 77% in the current quarter. Historically shallow natural gas well fracturing services represented the majority of operating hours by the Well Servicing Division. The incremental hours for the Well Servicing Division arose primarily from work performed in the Montney and steam assisted gravity drainage (“SAGD”) drilling support operations. Revenue rates realized in the fourth quarter of 2008 for the Well Servicing and Drilling divisions averaged \$974/hour and \$19,444/day, respectively, in comparison with \$1,022/hour and \$18,075/day for the same period of the prior year. Technicoil’s drilling fleet utilization rate averaged 57% in the fourth quarter and compares favorably to the industry drilling rig utilization which averaged 43% (source: Canadian Association of Oilfield Drilling Contractors (“CAODC”)) in the period.

GROSS MARGIN

Gross margin for the three months ended December 31, 2008 was \$6.1 million, or 30% of revenue, in comparison with \$5.2 million, or 36% of revenue for the three months ended December 31, 2007, an increase of \$0.9 million. The gross margin realized in the fourth quarter of 2008 in the Well Servicing Division of 31% compares to a gross margin of 40% realized in the same period of the prior year. Lower margins in Well Servicing are a result of changes in product service mix, downward pressure on charge-out rates, increased costs associated with a tight labour market and the impact of performance issues on certain jobs. The Drilling Division realized a gross margin of 27% in the fourth quarter of 2008 in comparison with 25% during the fourth quarter of 2007. The improvement in drilling margins is largely attributable to realizing higher revenue rates in comparison with rates achieved during the fourth quarter of the prior year, which more than offset the impact of higher labour costs.

GENERAL AND ADMINISTRATIVE EXPENSE

General and Administrative (“G&A”) expense was \$1.1 million, or 5.1% of revenue, for the three months ended December 31, 2008 in comparison with \$0.6 million, or 3.8% of revenue, in the same period of the prior year. The increase in G&A expense as compared to the same period in 2007 is attributable to the increase in the number of employees necessary to support a growing business, combined with provisions for variable pay recorded in the fourth quarter of 2008, in aggregate of \$0.3 million, increased travel expenses of \$0.1 million as a result of expanded geographic diversity of operations, and higher legal costs of \$0.1 million .

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

EBITDA was \$5.0 million in the fourth quarter of 2008, in comparison with \$4.6 million in the same period of the prior year, representing 24% and 32% of revenue, respectively. A lower average gross margin and higher G&A expenses contributed to the lower EBITDA as a percentage of revenue in the fourth quarter of 2008 compared with the same period of the prior year.

DEPRECIATION AND AMORTIZATION AND IMPAIRMENT OF GOODWILL

Depreciation and amortization expense of \$2.4 million for the fourth quarter of 2008 compares with \$2.3 million for the same period of the prior year. The impact of \$6.8 million in capital expenditures in 2008, net of disposals, resulted in a higher depreciation charge in the fourth quarter of 2008 in comparison with the same quarter of the prior year. As previously discussed, the Corporation recorded a goodwill impairment charge in the fourth quarter of 2008 of \$7.4 million as a result of an analysis performed on the recoverability of the Storm assets after taking into consideration current fluctuations in the market and uncertainties arising from overall economic conditions. No similar charge was recorded in the comparable period of the prior year.

OTHER ITEMS

Interest expense was \$0.3 million in the fourth quarter of 2008 compared with \$0.4 million in the same period of the prior year due to a reduction in both debt levels and interest rates in the current quarter compared to the prior year. Drawings from long term debt facilities averaged \$22.7 million during the quarter in comparison with \$24.5 for the same period of 2007, with the average interest rate falling to 4.1% in comparison with 7.0% over the same period.

Income tax expense was \$0.7 million for the three months ended December 31, 2008 in comparison with a recovery of \$0.7 million for three months ended December 31, 2007. Excluding the impact of the goodwill impairment charge, the Corporation's effective tax rate in the quarter of 23.0% is lower than the statutory rate of 29.5% as a result of lower future tax rates in effect when temporary differences between the Corporation's accounting and tax values are anticipated to reverse, net of the impact of non-deductible items. The Corporation recorded a future tax recovery of \$1.4 million in the fourth quarter of 2007 as a result of a reduction to future tax rates enacted in December 2007. No comparable future rate adjustments occurred in the fourth quarter of 2008.

The Corporation recorded a net loss of \$5.6 million for the fourth quarter of 2008 compared with net income of \$2.6 million reported for the fourth quarter of 2007. This resulted in fourth quarter loss per share of \$0.08 in 2008 compared with earnings per share for the fourth quarter of 2007 of \$0.04. Excluding the impact of the goodwill impairment charge, the Corporation would have recorded net earnings in the fourth quarter of 2008 of \$1.8 million, representing earnings of \$0.03 per share.

RESULTS FOR THE YEAR ENDED DECEMBER 31, 2008

REVENUE

Technicoil generated record annual revenue of \$62.3 million for the year ended December 31, 2008 in comparison with \$41.2 million for the year ended December 31, 2007. The 51% improvement in revenue is attributable to an 82% increase in the Well Servicing Division and a 3% increase in the Drilling Division. Contributing to the revenue improvements were the inclusion of 12 months of results for Storm in 2008 in comparison with only five months in 2007, increased operating hours/days in the Well Servicing Division and Drilling Division of 113% and 11%, respectively, and the impact of geographic and service offering diversification of the coiled tubing service fleet into the Montney resource play in southeastern British Columbia and into SAGD drilling support operations. A trend being realized in the WCSB is the increase in average depth of a gas well with the greater focus on shale gas plays, such as Montney and Horn River. Technicoil's ability to capitalize on the increased activity in these resource plays is a significant reason why the proportion of conventional service work performed by the Corporation increased from 44% of well servicing operating hours in 2007 to 73% of well servicing operating hours in 2008. The Corporation realized average revenue rates in 2008 for Well Servicing and Drilling of \$991/hour and \$17,670/day, respectively, in comparison with \$1,159/hour and \$18,957/day in 2007. Conventional well servicing services, including work performed by Storm, have a lower revenue rate per hour than the historical fracturing services provided by Technicoil. As the proportion of conventional service work increases, the average revenue rate per operating hour declines.

GROSS MARGIN

Gross Margin for the year ended December 31, 2008 was \$18.6 million, or 30% of revenue, compared with \$13.5 million, or 33% of revenue, for the year ended December 31, 2007. The Well Servicing Division contributed \$15.2 million of gross margin while the Drilling Division accounted for the remaining \$3.4 million. Well Servicing realized an average gross margin of 33% of revenue in 2008 in comparison with 38% in the prior year. The decrease in gross margin percentage compared with the prior year is primarily attributable to downward pressure on charge-out rates, a higher proportion of lower margin conventional service work performed in 2008, increased labour costs due to a tight labour market and performance issues on a number of jobs. The Drilling Division realized an average gross margin of 21% in 2008 compared with 24% in the prior year. While the Drilling Division benefitted from higher average day rates in the fourth quarter of 2008, this was offset by higher labour costs and lower average day rates for the balance of the year in comparison with 2007 due to competitive pressures.

GENERAL AND ADMINISTRATIVE EXPENSE

General and Administrative expense for the year ended December 31, 2008 was \$3.2 million, an increase from \$2.8 million incurred for the 12 months ended December 31, 2007. As a percentage of revenue, general and administrative expense averaged 5.2% in 2008 in comparison with 6.8% in 2007. Net spending increases relative to 2007 related to higher compensation due to a larger staff complement, combined with higher variable pay costs, in aggregate of \$0.4 million, and an increase in consulting charges of \$0.1 million. These increases were partially offset by lower legal costs in 2008 relative to the prior year.

STOCK-BASED COMPENSATION

Stock-based compensation was \$17,000 in 2008 in comparison with \$0.3 million in 2007. The stock-based compensation recorded in 2007 was primarily for options granted prior to May 2006, for which an expense was calculated using the Black Scholes model and recorded over the vesting period of the options. The majority of this Black Scholes expense was recorded prior to 2008. No stock based compensation expense was recorded in 2008 for options issued subsequent to May 2006 as Technicoil's share price at December 31, 2008 was lower than the exercise price of all such outstanding options.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

The impact of the above items resulted in an improvement in EBITDA from \$11.3 million in 2007 to \$15.7 million in 2008, an increase of 39%. As a percentage of revenue, EBITDA was 25% of revenue in 2008 in comparison with 27% of revenue in the prior year. A lower gross margin percentage and the non-occurrence of a comparable gain on sale of equipment in 2008 relative to the prior year more than offset the positive impact of a lower G&A percentage and higher other income in 2008, resulting in a lower EBITDA as a percentage of revenue in the current year.

DEPRECIATION AND AMORTIZATION AND IMPAIRMENT OF GOODWILL

The Corporation recorded depreciation and amortization expense of \$9.3 million in 2008 in comparison with \$8.3 million for 2007. The net incremental capital invested in property, plant and equipment of \$6.8 million in 2008, combined with a full year of depreciation on the Storm assets in comparison with only five months in the prior year, resulted in an increase in depreciation and amortization expense relative to the prior year. The Corporation did not realize any gain on the sale of capital assets in 2008. A gain of \$0.9 million on proceeds of \$2.2 million was realized on the sale of one of the remaining body-style coiled tubing service rigs in 2007. As previously discussed, the Corporation recorded a goodwill impairment charge of \$7.4 million in 2008 as a result of an analysis performed on the recoverability of the Storm asset. No similar charge was recorded in the comparable period of the prior year.

OTHER ITEMS

Interest expense was \$1.2 million in 2008 compared with \$1.5 million in 2007. Despite the debt impact of the Storm acquisition in August 2007 and net capital expenditures of \$6.8 million in 2008, the Corporation was able to maintain long term debt levels in 2008 consistent with the prior year. The \$0.3 million reduction in interest expense in 2008 relative to the prior year is a result of a lower average interest rate, which averaged 5.3% in 2008 in comparison with 6.7% in the prior year.

Other income recorded in 2008 of \$0.3 million primarily relates to the forfeiture of a non-refundable deposit paid by a prospective purchaser of the Corporation's last remaining body-style coiled tubing service rig.

Income tax expense was \$1.2 million for the year ended December 31, 2008 in comparison with a tax recovery of \$1.0 million in 2007. Excluding the impact of the goodwill impairment charge, the effective tax rate for the Corporation was 27.5% in 2008. Lower future tax rates in effect when temporary differences between the Corporation's accounting and tax values are anticipated to reverse, net of the impact of non-deductible items, and the capital gain tax treatment on the forfeited non-refundable deposit taken into income account for the difference between the statutory rate of 29.5% and the rate realized. In 2007, the Corporation benefited from a \$1.7 million reduction to future income taxes as a result of lower future tax rates enacted in June and December of 2007.

The Corporation recorded a net loss of \$3.4 million for the year ended December 31, 2008 or \$0.05 per share in comparison with net earnings of \$2.5 million, or \$0.04 per share, for the prior year. Excluding the impact of the goodwill impairment charge of \$7.4 million, the Corporation would have reported net earnings of \$4.0 million in 2008, representing an increase of 58% in comparison with the prior year.

SEGMENTED RESULTS

WELL SERVICING

The Well Servicing Division provides coiled tubing and conventional service rigs to the WCSB. Well Servicing is the largest division of the Corporation and the least volatile. The key performance indicators for this division include rig utilization, revenue and gross margin percentage. At December 31, 2008, the Corporation had a modern rig fleet comprised of 18 coiled tubing service units and eight conventional service units, with an average age of less than four years. The Corporation had one additional conventional service rig under construction as at December 31, 2008.

<i>Year ended December 31 (\$ thousands except for revenue per operating hour)</i>	2008	2007	Variance	% Change
Well servicing revenue	\$45,828	\$25,193	\$20,635	82%
Operating expenses	30,615	15,537	15,078	97%
Gross margin	\$15,213	\$9,656	\$5,557	58%
Gross margin %	33%	38%	(5%)	(13%)
Utilization % (1)	49%	28%	21%	75%
Operating hours	46,241	21,735	24,506	113%
Revenue per operating hour	\$991	\$1,159	(\$168)	(14%)
Number of wells completed during the year	2,416	2,235	181	8%

(1) Utilization % for the Corporation's well servicing rigs is defined as the number of operating hours for the period divided by the number of rig days for the period multiplied by ten hours a day calculated from the date of possession.

Technicoil provides modern service equipment to the WCSB that is capable of servicing a wide array of opportunities. The efforts invested over the prior three years have resulted in a significant improvement in the average utilization of the Well Servicing rig fleet. This improvement has come on the heels of an acquisition in 2007 and the continued diversification, both geographic and through an expanded service offering, of the coiled tubing service rigs. These expanded services include activities such as “rigless” completions and various conventional well completion services being performed on new gas wells, such as perforations and drill outs. These services have typically been performed by conventional service rigs, however due to the efficiencies that coiled tubing provides, a number of oil and gas companies are now looking at utilizing large diameter coiled tubing to complete some of their gas wells. The Corporation’s high capacity masted coiled tubing units have proven an ideal fit for this application and have enabled Technicoil to deploy its coiled tubing rigs in the very active Montney resource play. The Corporation has also been successful in deploying its coiled tubing service rigs in SAGD drilling operations. By equipping the coil with electrical line services, or “e-line”, Technicoil is able to transmit a 3D signal via an imaging tool attached to the end of the e-line to the drilling operator to guide the drilling of the producing well pair. Related benefits of the conventional service work that the coiled tubing units currently perform include 24 hour operations and wells requiring multiple days to complete.

Technicoil reported record annual revenue for the Well Servicing Division of \$45.8 million, representing an increase of 82% in comparison with revenue of \$25.2 million for the year ended December 31, 2007. Contributing to the significant revenue growth is realizing the benefit of a full year of results from the Storm acquisition which occurred effective August 1, 2007, and the improvement in utilization and operating hours for conventional work performed by the coiled tubing rigs as a result of the expanded service capability including Montney completions and SAGD drilling support, which more than offset the impact of fewer fracturing operating hours in the year in comparison with 2007. The aforementioned items contributed to the significant improvement in the utilization rate of the division from 28% in 2007 to 49% in 2008. The Well Servicing Division recorded operating hours from services other than shallow natural gas fracturing of 33,731 hours, representing 73% of total divisional hours in 2008. This compares with 9,526 operating hours, or 44% of total divisional operating hours, from services other than shallow natural gas fracturing in 2007. Revenue rates realized in 2008 averaged \$991/hour in comparison with \$1,159/hour in 2007. The decline in average revenue rates is a result of a higher proportion of conventional service work relative to fracturing through coil services.

The Well Servicing Division improved its gross margin by 58%, increasing from \$9.7 million in 2007 to \$15.2 million in the current year. The significant increase in gross margin is attributable to the increase in conventional operating hours generated by the coiled tubing service fleet and the inclusion of 12 months of operations from Storm in comparison with only five months in the prior year. As a percentage of revenue, gross margin averaged 33% in 2008 in comparison with 38% in the prior year. While operating hours, revenue and gross margin increased year over year for the Well Servicing fleet, the higher proportion of conventional work performed resulted in a lower gross margin percentage. A tight labour market which placed upward pressure on field labour rates in 2008, combined with continually expanding regulatory requirements which resulted in the Corporation increasing the operations overhead to support these requirements, contributed to the margin erosion. Retention of key field personnel will remain a critical success factor of the Corporation. Technicoil retains a variable cost structure which will enable the Corporation to respond to changes in the business environment.

DRILLING

The Drilling Division provides hybrid drilling rigs to the WCSB. Results of the Drilling Division tend to be more volatile than the Well Servicing Division due in part to seasonal restrictions on moving equipment and fluctuations in drilling programs of exploration and production companies. The key performance indicators for this division include rig utilization, revenue and gross margin percentage. At December 31, 2008, the Corporation owned seven drilling rigs, of which only six were available for service in 2008. The Corporation removed one rig from service in 2008 in order to convert it into a high capacity coiled tubing service rig capable of handling jointed pipe. The conversion of this rig has been postponed until such time as the WCSB market once again begins to expand.

<i>Year ended December 31 (\$ thousands except for revenue per operating day)</i>	2008	2007	Variance	% Change
Drilling revenue	\$16,451	\$15,962	\$489	3%
Operating expenses	13,044	12,163	\$881	7%
Gross margin	\$3,407	\$3,799	(\$392)	(10%)
Gross margin %	21%	24%	(3%)	(13%)
Utilization % (1)	43%	38%	5%	13%
Operating days	931	842	89	11%
Revenue per operating day	\$17,670	\$18,957	(\$1,287)	(7%)
Number of wells completed during the year	375	286	89	31%

(1) Utilization % for the Corporation's drilling rigs is defined as the number of spud to rig release days for the period divided by the number of rig days for the period calculated from the date of possession.

The Corporation reported annual revenues for the Drilling Division of \$16.5 million in 2008 in comparison with \$16.0 million in 2007. Technicoil exceeded prior year revenue results for every quarter in 2008 of between 20% and 37% with the exception of the first quarter. In 2008, Technicoil improved its average rig utilization to 43% in comparison with 38% for the prior year. Technicoil outperformed industry drilling rig utilization which averaged 41% (source: CAODC) in 2008. Improved marketing efforts, combined with customers recognizing the efficiencies and quality of the Corporation's rigs and operations, contributed to the improvement in utilization. The average revenue per operating day of \$17,670 represents a seven percent reduction in comparison with 2007, which averaged \$18,957 per day. An excess of available equipment has generally placed downward pressure on rates subsequent to the first quarter of 2007. While the Corporation realized higher revenue rates in the fourth quarter of 2008 relative to the same period of the prior year, these rates have come under significant pressure in the first quarter of 2009. The Corporation's revenue per operating day includes revenues from supporting services, many of which are pass-through cost items charged to the customer. Depending on the individual contract, these items may or may not be provided directly by the customer, thus they can significantly skew the average revenue per operating day rate.

Gross margin in 2008 of \$3.4 million for the Drilling Division represents a 10% reduction in comparison with the \$3.8 million reported in 2007. As a percentage of revenue, gross margin averaged 21% in 2008 compared with 24% in the prior year. Impacting the gross margin percentage was the lower average day rate realized in 2008 and the higher labour costs due to a tight labour market. The Corporation was able to partially mitigate the impact of these items by reducing its supplies and consumables, maintenance, and other operating costs per hour, in aggregate by approximately 10%.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary sources of liquidity and capital resources are: funds generated from continuing operations; bank financing and operating lines of credit; and the issuance of equity instruments. As at March 16, 2009, Technicoil had 72,683,848 common shares issued outstanding and 3,626,334 options issued and outstanding of which 1,885,003 were vested.

Technicoil's financial position strengthened in 2008, exiting the fourth quarter of 2008 with a net debt balance, represented by long-term debt less positive working capital, of \$6.7 million on assets of \$112.4 million. This compares with a net debt balance of \$14.6 million at December 31, 2007. The Corporation expects to generate sufficient cash from operations to fund liabilities as they become due and finance planned investing activity throughout 2009. Additional liquidity, if necessary, is available under the Corporation's existing \$31 million committed revolving term facility, of which \$22.3 million was drawn as at December 31, 2008. In addition, the Corporation has available a \$4 million bank operating facility, of which no amount was drawn as at December 31, 2008. Technicoil's credit facilities mature on May 31, 2009 and are extendable at the banks' option in May of each year.

Operating Activities

Cash flow from operating activities was \$10.8 million for the year ended December 31, 2008, compared with \$10.4 million for the prior year. Excluding the impact of changes in non-cash working capital from operations, funds flow from operations increased to \$14.6 million in 2008 in comparison with \$10.7 million in 2007. The build-up of non-cash working capital is primarily related to accounts receivable as a result of increased activity levels in the latter part of the year. During the year, Technicoil focused on utilizing its funds flow from operations to finance the Corporation's capital program, and applying excess funds against its outstanding indebtedness.

Financing Activities

Cash used in financing activities was \$2.0 million for the year ended December 31, 2008 in comparison with \$1.0 million for the prior year. The exercise of stock options in 2008 generated \$0.2 million of cash from financing activities, and \$2.2 million of cash flow was applied against the Corporation's long-term debt facilities, reducing long-term debt from \$24.5 million at December 31, 2007 to \$22.3 million at December 31, 2008.

Investing Activities

Cash used in investing activities for the year ended December 31, 2008 was \$8.0 million, compared with \$12.0 million in the prior year. Capital expenditures of \$6.9 million in 2008 related largely to various capital items designed to improve the efficiency and diversity of the existing service rig operations, and for the construction of an additional conventional service rig expected to be delivered in the first quarter of 2009. The Corporation's ongoing capital initiatives will be funded through funds flow from operations and the Corporation's existing credit facilities.

OUTLOOK

Technicoil is entering a challenging business environment in 2009 with a strong balance sheet, product/service and geographic diversification, and a management team focused on adapting to the ever changing business environment. Our primary customer base, being oil and natural gas companies operating in the WCSB, continues to assess the impact of limited access to capital on their business and capital expenditure plans for 2009. At the time of preparing the 2008 annual report, crude oil prices were in the range of WTI US\$40 to US\$50 per barrel. Crude oil prices are largely influenced by global supply and demand factors. Internationally, the Organization of the Petroleum Exporting Countries ("OPEC") has made unprecedented commitments to cut

supplies in excess of four million barrels per day from September 2008 output levels in an effort to stabilize crude oil prices. Natural gas prices, on the other hand, are more influenced by North American markets and were below US\$4.50 per million cubic feet (Nymex) in early March 2009. The introduction of the significant shale gas plays in northeastern British Columbia and regions of the United States, combined with recessionary pressures in the United States and worldwide, has resulted in a rapid decline in natural gas prices.

With the current economic uncertainty, management's confidence in predicting future business levels is lower than in the past. The conventional oil and gas industry in the WCSB is expected to experience considerably slower business conditions in 2009, with drilling activity forecasted to fall to levels not seen in over a decade. With a significant inventory of available drilling and service rigs in the WCSB, service companies, including Technicoil, are experiencing downward pressure on charge-out rates and lower utilization levels. Combining this with the expected volatility of commodity prices may indicate a difficult year for oil and gas service companies who are unprepared to deal with the downturn. Technicoil, through product diversification, high quality service, and competitive pricing is satisfied that the Corporation is positioned to capitalize on projects such as the Montney resource play in northeastern British Columbia which continues, albeit at a slower pace.

In the long term, the Corporation is confident that industry activity levels will strengthen and that the repositioning and diversification, both technical and geographic, of Technicoil's products and services will enable to Corporation to generate solid results for shareholders.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of securities laws, including the "safe harbour" provision of Canadian securities legislation. Forward-looking statements or information are often, but not always, identified by the use of words such as "anticipate", "expect", "plan", "forecast", "target", "project", "seek", "may", "intend", "will", "should", "could", "believe", "estimate", "predict" or similar expressions, statements that are based on current expectations and estimates about the markets in which the Corporation operates or statements of the Corporation's belief, intentions and expectations about development, results and events which will, or may occur in the future. Such forward-looking statements are based on Technicoil's current beliefs, as well as certain assumptions made by, and information currently available to, Technicoil concerning statements with respect to future capital expenditures, including the amount and nature thereof; oil and gas prices and demand; other development trends of the oil and gas industry; business strategy; expansion and growth of the Corporation's business and operations, including the Corporation's market share and position in the oilfield service markets; the ability to obtain financing on acceptable terms, and other such matters. In addition, other written or oral statements which constitute forward-looking statements may be made from time to time by and on behalf of the Corporation. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, such forward-looking statements are subject to important risks and uncertainties that predictions, projections, forecasts and other forward-looking statements will not be achieved. Readers are cautioned not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, without limitation: the impact of general economic conditions; industry conditions, including the adoption of new environmental, tax, royalty and other laws and regulations and changes in how they are interpreted and enforced; volatility of oil and gas prices; oil and gas product supply and demand; inadequate insurance coverage; risks inherent in the Corporation's ability to generate sufficient cash flow from operations to meet its current and future obligations; increases in debt service charges; the Corporation's ability to access external sources of debt and equity capital; increased competition; counterparty risk; the lack of availability of qualified personnel or management; labor unrest; fluctuations in foreign exchange or interest rates; stock market volatility; opportunities available to, or pursued by, the Corporation and other factors, many of which are beyond the control of the Corporation.

Further information regarding these factors may be found under the heading "Risks and Uncertainties" in this MD&A, and in the Corporation's most recent Annual Information Form, Information Circular, quarterly reports, material change reports and news releases. The Corporation's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits, including the amount of proceeds, the Corporation will derive therefrom. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Any forward-looking information contained herein is expressly qualified by this cautionary statement. The forward-looking statements in this document are provided for the limited purpose of enabling current and potential investors to evaluate an investment in the Corporation. Readers are cautioned that such statements may not be appropriate, and should not be used for other purposes.

TECHNICOIL CORPORATION

Consolidated Balance Sheets

Years ended December 31, 2008 and 2007

(Thousands)	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$1,198	\$388
Accounts receivable	18,665	10,740
Income taxes receivable	12	1,662
Inventory	2,210	2,325
Prepaid expenses	377	343
	22,462	15,458
Intangible assets	1,002	1,634
Goodwill	-	7,385
Property, plant and equipment	88,945	90,766
	\$112,409	\$115,243
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$6,824	\$5,556
Current portion of long-term debt	3,252	3,573
	10,076	9,129
Long-term debt	19,048	20,927
Future income taxes	11,195	9,946
	40,319	40,002
<i>Commitments and contingencies</i>		
<i>Related party transactions</i>		
Shareholders' equity		
Share capital	51,491	51,107
Contributed surplus	2,197	2,352
Retained earnings	18,402	21,782
	72,090	75,241
	\$112,409	\$115,243

TECHNICOIL CORPORATION

Consolidated Statements of Operations and Retained Earnings

Years ended December 31, 2008 and 2007

(Thousands, except per share data)	2008	2007
Revenue	\$62,279	\$41,155
Operating expenses	43,659	27,700
Gross margin	18,620	13,455
General and administrative expenses	3,230	2,788
Stock-based compensation	17	346
Depreciation and amortization	9,288	8,329
Gain on sale of assets	-	(931)
Impairment of goodwill	7,391	-
Interest on long-term debt	1,166	1,459
Other revenue	(288)	(38)
Net (loss) income before income tax	(2,184)	1,502
Income tax (recovery) expense:		
Current	(39)	(1,457)
Future	1,235	414
	1,196	(1,043)
Net (loss) income and comprehensive (loss) income	(3,380)	2,545
Retained earnings and cumulative comprehensive income, beginning of year	21,782	19,237
Retained earnings and cumulative comprehensive income, end of year	\$18,402	\$21,782
(Loss) earnings per share:		
Basic	\$(0.05)	\$0.04
Diluted	\$(0.05)	\$0.04

TECHNICOIL CORPORATION

Consolidated Statements of Cash Flows

Years ended December 31, 2008 and 2007

(Thousands)	2008	2007
Cash provided by (used in):		
Operating activities:		
Net (loss) income for the year	\$(3,380)	\$2,545
Add (deduct) non-cash items:		
Depreciation and amortization	9,288	8,329
Gain on sale of assets	-	(931)
Impairment of goodwill	7,391	-
Stock-based compensation expense	17	346
Future income tax	1,235	414
	14,551	10,703
Net change in non-cash working capital from operations	(3,704)	(2,462)
Net change in non-cash working capital from acquisition	(42)	2,126
Cash flow from operating activities	10,805	10,367
Financing activities:		
Common shares issued	212	190
Share issue costs	-	(20)
Net (repayment of) proceeds from revolving term loans	(2,200)	4,383
Repayment of fixed term loans	-	(5,554)
Cash flow from financing activities	(1,988)	(1,001)
Investing activities:		
Acquisition of property, plant and equipment	(6,897)	(6,903)
Proceeds on sale of property, plant and equipment	62	2,152
Business acquisition, net of cash acquired	50	(8,670)
Net change in non-cash working capital from the purchase of property, plant and equipment	(1,222)	1,396
Cash flow from investing activities	(8,007)	(12,025)
Net increase (decrease) in cash and cash equivalents	810	(2,659)
Cash and cash equivalents, beginning of year	388	3,047
Cash and cash equivalents, end of year	\$1,198	\$388
Cash income taxes recovered	\$1,647	\$668
Cash interest paid	\$1,143	\$1,425

For further information, please contact:

Marvin D. Clifton
President & Chief Executive Officer
T: 403 509-0702
E: mclifton@technicoilcorp.com

Robert W. Sprinkhuysen
Chief Financial Officer
T: 403 509-0711
E: rsprinkhuysen@technicoilcorp.com