Technicoil Corporation

Symbol: TEC
Exchange: TSX Venture Exchange

Releases Second Quarter Report
June 30, 2002

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	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Average number of rigs	12	8	12	8
Revenue	$3,269,433	$5,348,603	$11,635,311	$9,621,237
Gross margin	$185,902	$3,077,581	$4,382,389	$4,371,969
Net income	$(800,226)	$1,065,604	$1,004,927	$1,313,747
Net income per share*	$(0.02)	$0.03	$0.03	$0.04
Cash flow	$6,877	$2,075,906	$2,478,432	$2,675,393
Cash flow per share*	$0.00	$0.06	$0.06	$0.07
EBITDA	$(688,603)	$2,633,103	$2,809,337	$3,458,841
Long-term debt vs. Dec. 31, 2001	$9,482,129	$8,927,700	$9,482,129	$8,927,700
Long-term debt to equity	43%	43%	43%	43%
Shares outstanding	38,853,789	27,281,667	38,853,789	27,281,667
Shares outstanding diluted	43,974,550	42,329,850	43,974,550	42,329,850
Weighted average shares - diluted, treasury stock method	40,022,272	37,450,063	39,833,148	36,958,551

*Per share figures are on a weighted average diluted basis using the treasury stock method

Technicoil Corporation experienced reduced revenues in the second quarter of 2002 compared to the same period in 2001 and recorded a loss of $0.8 million or $(0.02) per share in the quarter. This compares to net income of $1.1 million or $0.03 per share in the second quarter of 2001. The second quarter 2001 net income was helped by a one-time gain on sale of equipment of $0.2 million. Weather played a major role in the disappointing second quarter 2002 results as a normal spring break-up in April was followed by two months of heavy rainfall in Technicoil's main operating area of southern Alberta causing significantly reduced utilization levels. Cash flow from operations was at break-even for the second quarter of 2002 compared to $2.1 million or $0.06 per share for the same period in 2001. Revenue increased 21 percent comparing the first six months of 2002 to the same period in 2001. Net income declined 24 percent in the first six months of 2002 compared to 2001 as the company had higher operating, general and administrative and amortization costs in support of a 50 percent larger rig fleet in 2002. Technicoil continued to invest in new capital in 2002 that resulted in an increase in long-term debt of six percent in the first six months. However, long-term debt to equity remained stable at 43 percent from December 31, 2001 to June 30, 2002

Operations
Cancoil operated 12 rigs throughout the second quarter of 2002 conducting both fracturing and drilling operations for our customers. In Canada where eight rigs were deployed, fracturing operations were performed for two customers that each has two to three ongoing fracturing programs. For the first time an exploration and production company has contracted a Technicoil rig directly for coil fracturing work beginning in August. To date, Technicoil had always subcontracted to pumping service companies for coil fracturing work. Management sees this as an important development in diversifying Technicoil's customer base for both drilling and fracturing. On the Canadian drilling side, Technicoil completed 22 natural gas wells for four customers. In the United States, Technicoil had four rigs available for work. Two of these rigs were dedicated to work under the Halliburton contract on a retainer plus day rate basis for coil fracturing. Technicoil did not conduct any drilling work in the United States in the second quarter. Overall, utilization was low in the second quarter with utilization rates at 33 percent in both Canada and the United States.

Technicoil completed commissioning of two second generation rigs in July. These rigs are much larger in size and depth capacity than Technicoil's first 12 rigs and have greater capacity than any coil tubing rig in the market today. Both rigs went to work on shallow gas drilling projects and have performed beyond management's expectation both in terms of the lack of early "bugs" in these completely new designs and their drilling performance. Technicoil passed an important milestone in the second quarter in its efforts to prove the viability of composite coil tubing in drilling applications. Six wells were successfully completed with composite coil tubing in the second quarter. The composite coil tubing performed equally to steel coil and showed almost no wear or erosion at the end of the six-well project. Final testing and commercialization of composite coil tubing will require many more wells to be drilled. This development has the potential to reduce the cost of coil tubing drilling as composite coil has the ability to significantly outlast steel coil.

Technicoil's historical strength in well fracturing is now being consistently supplemented by drilling projects in both Canada and the United States. While drilling margins tend to vary significantly over the business cycle in the oil and gas industry the drilling market is large and an important element to Technicoil's growth plans.

Revenue Analysis by Type of Activity	**Six Months Ended June 30, 2002**	**Six Months Ended June 30, 2001**
Canada		
Fracturing	$5,853,638	$4,193,796
Re-entry drilling	138,288	393,907
Conventional drilling	1,537,789	1,741,865
Total Canada	7,529,715	6,329,568
United States		
Fracturing	3,853,946	2,124,928
Re-entry drilling	217,151	420,390
Conventional drilling	34,499	746,351
Total United States	4,105,596	3,291,669
Consolidated revenue	$11,635,311	$9,621,237

Management Discussion and Analysis
Revenue and Net Income
Revenue for the three-month period ended June 30, 2002 was down 39 percent or $2.1 million compared to the quarter ended June 30, 2001 despite the fact that Technicoil had 12 rigs in service in the 2002 period versus eight in service in the second quarter of 2001. Net income declined $1.9 million in the second quarter of 2002 compared to the same period in 2001 resulting in a loss of $0.8 million. Low utilization rates and lower drilling day rates in the second quarter of 2002 compared to 2001 caused the declines. In addition, a

one-time gain on sale of equipment of $189,749 was recorded in the second quarter of 2001 that helped the prior year's results. On a year-to-date basis, 2002 revenue was up 21 percent compared to the first six months of 2001 while net income declined 24 percent. The decline in net income despite the revenue increase reflects fixed costs associated with supporting a larger rig fleet in 2002 compared to 2001 in a period of low utilization.

Utilization rates in both Canada and the Unites States were approximately 33 percent in the second quarter of 2002 compared to overall company utilization rates of 80 percent for the second quarter of 2001. On a year-to-date basis 2002 Technicoil's utilization rate was 53 percent compared to 64 percent for the first six months of 2001. Second quarter 2002 operating margins were six percent compared to 58 percent in the second quarter of 2001. Margins in the second quarter of 2002 suffered from a weak drilling market resulting in competitive pricing for drilling combined with overall low utilizations. In addition, Technicoil's drilling project to test composite coil tubing was performed at break-even rates for the customer to gain support for testing this important new technology. Over the first six months of 2002 operating margins averaged 38 percent compared to 45 percent for the same period in 2001. Technicoil's overall staffing levels and infrastructure are larger in support of a 50 percent larger rig fleet in 2002 compared to 2001 resulting in higher fixed field and administrative costs. Management expects that with improved utilizations, operating margins in the 35 to 45 percent range are a reasonable expectation. General and administrative expenses as a percent of revenue were 27 percent of revenue for the three month period ended June 30, 2002 compared to 11 percent for the second quarter of 2001. On a year-to-date basis 2002 general and administrative costs were 14 percent compared to 12 percent in 2001. Most of Technicoil's administrative infrastructure has been built to support high utilization of a 14 rig fleet and the low utilizations and revenue, especially in the second quarter, had a negative impact on the ratio of general and administrative costs. On a diluted per share basis the second quarter 2002 loss was $0.02 compared to income of $0.03 for the three months ended June 30, 2001. On a year-to-date basis per share income was $0.03, down 25 percent compared to the first six months of 2001.

Amortization expense increased 69 percent for both for the three and six months ended June 30, 2002 compared to the same periods in 2001 due to the aggressive capital program that Technicoil has been executing since expansion began in mid-2000. Interest expense declined 38 percent comparing the three-month period ended June 30, 2002 to the quarter ended June 30, 2001. Interest expense declined 31 percent on a year-to-date basis. Debt levels in 2002 were similar to those in the comparative periods of 2001, however interest rates have declined significantly from last year. Additionally, the $1.5 million convertible debenture was converted to common shares in October 2001. This debenture carried a 7.5 percent interest rate compared to rates in the 5.5 percent range for bank debt in the first half of 2002.

Assets and Liabilities

Accounts receivable were down 48 percent at June 30, 2002 compared to December 31, 2001 as revenues were weak in the second quarter. Technicoil has not experienced any problems with slow or uncertain receivables collection despite the weakness in the overall oil and gas industry. Accounts payable at June 30, 2002 were down 50 percent from year-end 2001 reflecting reduced operating activity.

Working capital at June 30, 2002 was in a deficit position of $9.1 million, compared to a deficit of $6.7 million at December 31, 2001. The large deficit is a result of the balance sheet classification of Technicoil's equipment loans as current. Most of this debt was formerly classified as long-term. The Emerging Issues Committee of the C.I.C.A. issued EIC-122 effective January 2002 that states any debt that is legally demand in nature be classified as current on the balance sheet. Technicoil's equipment loans are repayable in terms ranging from 24 to 48 months but are legally demand in nature. Technicoil is in compliance with all terms and conditions of the equipment loans and does not expect the lender to exercise its demand privileges within the next year. The demand feature in the debt facilities provides Technicoil with lower borrowing costs. Adjusting for the removal of the equipment loans at June 30, 2002, working capital is a positive $0.4 million or a ratio of 1.1:1, down from a ratio of 1.4:1 at December 31, 2001 reflecting the reduced activity that Technicoil experienced in the second quarter.

Year-to-date capital spending related primarily to completion work for the new generation rigs as well as spending on drilling systems to accompany the new rigs. A total of $3.8 million was spent to date in 2002. Modest capital spending is expected for the remainder of the year as the 2002 capital program was budgeted to add the two new generation rigs during the year. Both of these units were virtually completed by the end of the second quarter.

Long-term debt (equipment loans) balances were six percent higher at June 30, 2002 compared to December 31, 2001 as capital spending in the first six months slightly exceeded cash flows and draw downs on deposits for capital equipment under construction. Technicoil's debt/equity ratio remained stable at 43 percent despite the debt increase.

Capital stock increased in the first six months of 2002 as shares were issued as partial consideration for the purchase of the 25 percent of Technicoil's United States subsidiary, Technicoil Integrated Services Inc. in January 2002. Cancoil purchased this interest for 850,000 shares valued at $0.80 and cash consideration of U.S. $685,000. This purchase consideration amounted to $1,758,600 and included minority interest of $318,015 and goodwill of $1,440,585.

Outlook

This year's break-up combined with unusually wet weather throughout the second quarter of 2002 causing Technicoil's results to fall behind management's expectations. Lower commodity prices, in particular for natural gas in western Canada and the rocky mountain region in the Unites States which are Technicoil's main operating areas cause additional uncertainty as we enter the second half of 2002. However, despite these uncertainties, Technicoil has strong coil fracturing prospects for the remainder of 2002 with three different customers. The second generation rigs that are focused on the drilling market generated significant interest and excitement at the Global Petroleum Show in June of this year. Technicoil has steady work lined up for the new rigs well into the next quarter. Initial contracts have been to drill shallow gas wells in southern Alberta. These projects have been excellent proving grounds for this new technology. Technicoil experienced only minor commissioning issues and the rigs are performing above expectations in terms of drilling speed and operating efficiency. The second generation rigs are built with the capability to drill with both coil tubing and conventional drill pipe using a top drive integrated into the rig. Technicoil has successfully drilled with both methods on projects in July and August. Future drilling contracts lined up for the new rigs are with major companies and will test Technicoil's increased capabilities with these rigs to go beyond shallow gas drilling into deeper and more technically difficult drilling conditions. With success, both of the new rigs are expected to have the opportunity to enter long-term relationships with these major E&P companies.

Coil fracturing in Canada is a well-accepted practice. Technicoil expects increasing use of this completion method as coal bed methane drilling becomes more established in Canada. In the United States, coil fracturing is still in its acceptance phase and Technicoil expects increased interest in coil fracturing as the benefits are proven especially for the extensive coal bed methane projects that are already well established in the United States.

The 2002 capital program was virtually complete by the end of the second quarter with final delivery of the two second generation rigs mostly funded with deposits in place at the June 30, 2002. Surplus cash flows for the remainder of the year are targeted to reduce debt levels for the balance of the year.

On July 2, 2002 Technicoil announced that the board of directors had approved a process intended to maximize shareholder value. The board and management of Technicoil have decided that a marketed sale process represents the best course of action at this time to achieve maximum shareholder value. The process was actively under way in July and early August with a target to complete a data room process and receive initial bids for Technicoil by the end of August at which time detailed negotiations are expected to be initiated for a final purchase and sale agreement to be outlined for shareholders.

Technicoil Corporation

CONSOLIDATED BALANCE SHEETS

	June 30, 2002 (unaudited)	December 31, 2001
ASSETS		
Current assets:		
Cash	-	$1,439,152
Accounts receivable	$3,108,390	5,967,712
Prepaid expenses and other	619,553	242,094
Due from shareholder	-	60,000
	3,727,943	7,708,958
Goodwill	1,440,585	-
Capital assets under construction	6,146,911	4,935,102
Capital assets – net	25,845,644	24,269,962
	$37,161,083	$36,914,022
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank operating loan	$1,133,849	$1,150,000
Accounts payable and accrued liabilities	2,169,923	4,307,608
Demand equipment loans (note 2)	9,482,129	8,927,700
	12,785,901	14,385,308
Future income taxes	2,146,240	1,680,013
Non-controlling interest	-	318,015
Shareholders' equity		
Capital stock (note 4)	15,949,005	15,255,672
Retained earnings	6,279,937	5,275,014
	22,228,942	20,530,686
	$37,161,083	$36,914,022

Technicoil Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(unaudited)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Coil tubing service and drilling revenue	$3,269,433	$5,348,603	$11,635,311	$9,621,237
Expenses:				
Operating	3,083,531	2,271,022	7,252,922	5,249,268
General and administrative	874,505	593,834	1,573,052	1,118,004
Amortization	507,012	300,885	1,007,278	595,189
Interest on long-term debt	109,569	177,582	224,567	326,654
(Gain) on sale of fixed assets	-	(189,749)	-	(189,749)
Other expenses (income)	(1,592)	40,393	(4,178)	(15,127)
	4,573,025	3,193,967	10,053,641	7,084,239
Net income (loss) before income tax	(1,303,592)	2,154,636	1,581,670	2,536,998
Income tax expense (recovery)				
Current	(803,457)	379,615	110,516	379,615
Future	300,091	638,100	466,227	691,626
	503,366	1,017,715	576,743	1,071,241
Net income (loss) before non-controlling interest	(800,226)	1,136,921	1,004,927	1,465,757
Non-controlling interest in net (income) loss of subsidiary	-	(71,317)	-	(152,010)
Net income for the period (loss)	(800,226)	1,065,604	1,004,927	1,313,747
Retained earnings, beginning of period	7,080,167	742,421	5,275,014	494,278
Retained earnings, end of period	$6,279,941	$1,808,025	$6,279,941	$1,808,025
Net income per share				
Basic	$(0.02)	$0.04	$0.03	$0.05
Diluted	$(0.02)	$0.03	$0.03	$0.04

Technicoil Corporation

CONSOLIDATED STATEMENTS OF CASH FLOW

(unaudited)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Cash provided by (used in):				
Operating activities:				
Net income (loss)	$(800,226)	$1,065,604	$1,004,927	$1,313,747
Add (deduct) non-cash items				
Amortization	507,012	300,885	1,007,278	595,189
Future income tax	300,091	638,100	466,227	614,447
Non-controlling interest	-	71,317	-	152,010
Cash flow from operations	6,877	2,075,906	2,478,432	2,675,393
Change in non-cash working capital	1,916,645	(1,975,323)	404,174	(2,461,168)
	1,923,522	100,583	2,882,606	214,225
Financing activities:				
Common shares and warrants issued	-	25,000	13,333	216,866
Increase (decrease) in equipment loans	1,047,388	1,708,962	554,429	1,795,525
	1,047,388	1,733,962	567,762	2,012,391
Investing activities:				
Acquisition of capital assets	(801,892)	(1,114,825)	(2,576,425)	(2,817,958)
Capital assets under construction	(2,036,805)	(900,656)	(1,211,809)	(1,004,552)
Book value of asset sold	-	714,724	-	714,724
Acquisition of Technicoil minority interest	-	-	(1,085,135)	-
	(2,838,697)	(1,300,757)	(4,873,369)	(3,107,786)
Net (decrease) in cash and cash equivalents	132,213	533,788	(1,423,001)	(881,170)
Cash and cash equivalents (bank operating loan net of cash), beginning of period	(1,266,062)	(1,575,137)	289,152	(160,179)
Cash and cash equivalent (bank operating loan net of cash), end of period	$(1,133,849)	$(1,041,349)	$(1,133,849)	$(1,041,349)
Cash flow from operations per share				
Basic	$0.00	$0.08	$0.06	$0.09
Diluted	$0.00	$0.06	$0.06	$0.07

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Notes to the Consolidated Financial Statements (unaudited)

1. Basis of Presentation

These interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements. Not all disclosures required by GAAP for annual financial statements are presented. The interim financial statements should be read in conjunction with the most recent audited, annual financial statements.

2. Demand Equipment Loans

The Company has a series of reducing demand loans that have been drawn for the construction of coil tubing rigs. The loans are repayable in terms ranging from 24 to 48 months but are legally demand in nature. These loans have been classified as current liabilities due to their demand nature. The portion of the equipment loans that are scheduled to be repaid within the next 12 months amounts to $3,556,729.

3. Seasonality of Operations

A significant portion of the Company's operations is carried on in Canada. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has an impact on the Company's activity levels in the spring of each year. In addition, in extreme cold weather in Canada well fracturing activity may be curtailed for short periods. Wells are fractured with water-based sand mixtures that can freeze at temperatures below minus 20C.

4. Capital Stock

Outstanding common shares, purchase warrants and stock options:

	June 30, 2002	December 31, 2001
Common shares	38,853,789	37,827,122
Common share purchase warrants	2,272,728	2,272,728
Stock options	2,848,033	2,238,000
	43,974,550	42,337,850

5. Segmented Information ('000's)

	Three Months Ended June 30, 2002			Three Months Ended June 30, 2001		
	Canada	U.S.	Total	Canada	U.S.	Total
Third party revenue						
Drilling	$317	-	$317	$21	$767	$788
Well servicing	1,691	$1,261	2,952	3,201	1,360	4,561
	$2,008	$1,261	$3,269	$3,222	$2,127	$5,349
Inter-segment	$741	$(741)	-	$171	$(171)	-
Net income (loss)	$(112)	$(688)	$(800)	$852	$214	$1,066

	Six months ended June 30, 2002			Six months ended June 30, 2001		
	Canada	U.S.	Total	Canada	U.S.	Total
Third party revenue						
Drilling	$1,676	$251	$1,927	$2,135	$1,167	$3,302
Well servicing	5,854	3,854	9,708	4,194	2,125	6,319
	$7,530	$4,105	$11,635	$6,329	$3,292	$9,621
Inter-segment	$1,466	$(1,466)	-	$338	$(338)	-
Net income (loss)	$1,462	$(457)	$1,005	$858	$456	$1,314