



Technicoil Corporation

Symbol: TEC

Exchange: TSX Venture Exchange

Releases Second Quarter Report - June 30, 2003

Release date: August 19, 2003

	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
Average number of rigs	9	12	11	12
Revenue	\$2,330,845	\$3,269,433	\$8,195,328	\$11,635,311
Gross margin	\$557,500	\$240,302	\$2,111,807	\$4,434,391
Net income	\$(567,871)	\$(800,226)	\$(428,761)	\$1,004,927
Net income per share*	\$(0.01)	\$(0.02)	\$(0.01)	\$0.03
Cash flow from operations	\$569,486	\$6,877	\$1,193,827	\$2,478,432
Shares outstanding	39,203,789	38,853,789	39,203,789	38,853,789
Shares outstanding diluted	44,339,550	43,974,550	44,339,550	43,974,550
Weighted average shares				
- diluted, treasury stock method	39,203,789	40,022,272	39,177,916	39,833,148

	June 30, 2003	Dec. 31, 2002
Equipment loans	\$4,766,419	\$11,134,212
Equipment loans to equity	25%	57%

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

Technicoil Corporation experienced a 29% decrease in revenue for the second quarter of 2003 compared to the second quarter of 2002 largely due to a 25% reduction in the Company's rig fleet. Technicoil recorded a net loss of \$567,871 or \$(0.01) per share in the quarter compared to a net loss of \$800,226 or \$(0.02) per share in the second quarter of 2002. Weather played a major role in the disappointing 2003 second quarter results as a normal spring break-up in April was followed by a month of heavy rainfall in Technicoil's main operating area of southern Alberta, causing significantly reduced utilization levels. Drilling utilization was also hampered as one of the Company's two drilling rigs was being retrofitted during the quarter. Despite a net loss, cash flow from operations was positive for the twelfth straight quarter

with Technicoil earning cash flow of \$569,486 or \$0.01 per share compared to \$6,877 or \$0.00 per share in the second quarter of 2002.

Technicoil's financial position continued to improve as the Company had a positive working capital ratio at June 30, 2003, with the outstanding equipment loans being reduced by 57% or \$6.4 million since December 31, 2002. The Company invested \$624,742 during the second quarter of 2003 enhancing its drilling equipment, with another \$650,000 to be incurred in the third quarter. The investment will significantly improve the efficiency and safety of the drilling operations.

Operations

Technicoil operated an average of nine rigs throughout the second quarter of 2003, conducting both fracturing and drilling operations for our customers. This compares to an average of twelve rigs for the corresponding period in 2002 and thirteen rigs in the first quarter of 2003. In the first quarter of 2003 Technicoil completed the sale of four coil tubing rigs held for sale at the 2002 year end, with the sale of the fifth rig completed in April. The Company's remaining nine rigs were deployed primarily in Canada throughout the quarter, with no future contracts secured in the United States at this time.

Overall fleet utilization was 21% for the quarter compared to 33% for the second quarter of 2002. Drilling utilization increased slightly from 17% in the second quarter of 2002 to 23% in the second quarter of 2003. However, the fracturing utilization of 17% this quarter is significantly below the 2002 second quarter utilization rate of 40%. Fracturing delivered 83% of revenue in the second quarter compared to 90% in the corresponding quarter of 2002 as Technicoil continues to diversify its operations.

On the fracturing side, 168 wells were fractured for two customers who each have several ongoing fracturing programs, with eleven of the wells being in the United States. In April, Technicoil entered into an operating agreement with Calfrac Well Services Ltd. to provide them with five well servicing rigs on a first call basis. The agreement has an initial term to September 2004, and can be renewed annually for a one-year term. Management sees this as an important step in securing a long-term relationship with a growing Company. Despite this agreement, utilization was low in April and May due to a long spring breakup and an unusual amount of rain in Southern Alberta, Technicoil's main operating area. The May utilization rate was 11% this year compared to 65% in 2002. The fracturing utilization rates recovered in June reaching 45%, although many customers delayed fracturing operations until the third quarter as the weather caused delays to their drilling schedules. Technicoil continues to be the dominant supplier to the most active pressure pumping companies conducting coil fracturing operations. The equipment is ideally suited for this activity and the Technicoil staff is highly experienced at conducting fracturing operations using coil tubing.

The low drilling utilization for the quarter is a result of several distinct factors including a long spring break up, an unusual amount of rain and retrofitting the first of two drilling rigs. The Company took advantage of the spring breakup period by enhancing the first of two drilling rigs with changes to the electrical system and doghouse. The \$1.3 million total retrofit will lighten the equipment considerably and transform the once dual-purpose rigs into predominantly drilling units. Technicoil anticipates the retrofits will increase profitability through significantly improving rig reliability, safety and employee working conditions. Utilization for the one active drilling rig reached 56% in June with the rig operating for one customer with a significant project. The large-scale project has allowed Technicoil's drilling operations to reach new performance and safety accomplishments by performing consistently. Technicoil has reaped the benefits of its operating efficiencies due to the turnkey pricing. Continual improvement in drilling operations is critical as Technicoil diversifies from its historical strength in well fracturing. There were no drilling operations in the United States in the second quarter of 2003 or 2002.

Revenue Analysis by Type of Activity	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Canada				
Fracturing	\$1,378,591	\$1,691,133	\$4,604,379	\$5,853,638
Drilling	395,166	317,192	2,126,572	1,676,077
Total Canada	1,773,757	2,008,325	6,730,951	7,529,715
United States				
Fracturing	557,088	1,261,108	1,464,377	3,853,946
Drilling	-	-	-	251,650
Total United States	557,088	1,261,108	1,464,377	4,105,596
Consolidated revenue	\$2,330,845	3,269,433	\$8,195,328	11,635,311

Management Discussion and Analysis Revenue and Net Income

Revenue for the 2003 second quarter was down 29% (\$0.9 million) compared to the 2002 second quarter largely due to a 25% reduction in Technicoil's rig fleet. Technicoil had an average of twelve rigs in service in the second quarter of 2002 versus nine in service in the second quarter of 2003 after the sale of five rigs earlier this year. Revenue was also negatively affected by the decrease in utilization from 33% in the second quarter of 2002 to 21% in the second quarter of 2003 as a result of poor weather conditions and the retrofitting of one drilling rig. Nevertheless, Technicoil has benefited from better contract pricing, including a turnkey contract that has benefited from efficient operations, which partially offsets the declines in the rig fleet and utilization.

Technicoil increased its gross margin from \$240,302 (7% of revenue) in the second quarter of 2002 to \$557,500 (24% of revenue) in the second quarter of 2003. The 2003 margins reflect a return to normal levels as the second quarter 2002 margins suffered from competitive pricing in a weak drilling market and a break-even contract while a new product was being tested. The 2003 second quarter gross margin of 24% was comparable with the 2003 first quarter margin of 27% despite increased maintenance in the second quarter during the spring break up period and the allocation of fixed operating costs over lower revenue.

General and Administrative expenses were 13% of revenue for the three month period ended June 30, 2003 compared to 25% for the second quarter of 2002 despite lower revenue in 2003. Management made a conscious effort to lower overhead costs in the past year, mainly through reducing administrative and managerial staff. Technicoil's current administrative structure represents a more appropriate level for the current fleet size.

Amortization and interest expense have both decreased for the three months ended June 30, 2003 compared to the same period in 2002 due to sale of five rigs in 2003 with the proceeds on disposition being used to pay down the equipment loans.

Second quarter earnings were negatively impacted by several non-recurring items including a \$242,380 foreign exchange loss resulting from the net asset position of the Company's subsidiary, Technicoil USA Corporation, and the conversion of a portion of the rig sale proceeds to Canadian dollars. Technicoil also realized a \$175,000 write down of equipment held for sale as the Company will no longer utilize numerous trailers due to the sale of five rigs and the drilling equipment enhancements. Bad debt expense of \$73,744 relates to a portion of outstanding receivables from one customer. Technicoil has launched legal proceedings to recover the entire amount. A \$100,000 negative adjustment was also made to current income tax expense this quarter relating to 2002. Technicoil's net income would be \$23,253 or \$0.00 per share if not for the (\$591,124) effect of these non-recurring items. Technicoil's net income has suffered over the past year as the Company made several significant strategic decisions and streamlined its business, resulting in a myriad of non-recurring expense items. Technicoil believes that they have crossed the critical point in this process and does not expect net income to be hampered by such significant items in future quarters.

Despite a net loss, the Company achieved positive cash flow from operations for the twelfth straight quarter, dating back to May 2000. Cash flow from operations increased from \$6,877 in the second quarter of 2002 to \$569,486 in the second quarter of 2003 as a result of the Company's extensive steps over the past year to restructure the Company, redefine its strategy and reduce costs.

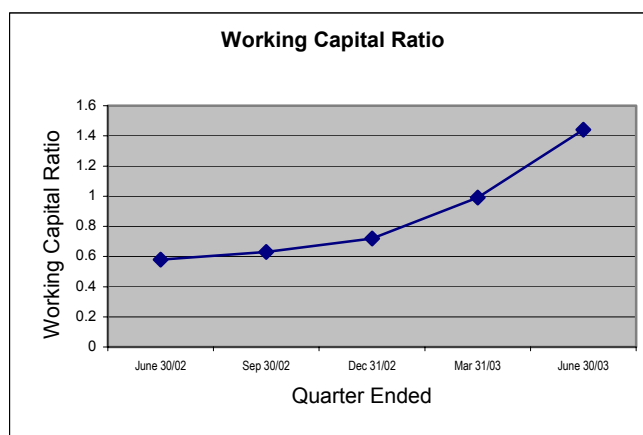
Assets and Liabilities

Accounts receivable were down 43% at June 30, 2003 compared to December 31, 2002 as is typical in the second quarter due to spring breakup negatively affecting second quarter revenue. Technicoil has historically experienced few issues with receivable collection although \$73,744 was added to the allowance for doubtful accounts to increase the reserve for one customer. The weighted average age of the receivables is 32 days at June 30, 2003 compared to 31 days at December 31, 2002. Accounts payable at June 30, 2003 were also down 31% from year-end 2002 reflecting reduced operating activity for the quarter.

Capital assets under construction of \$624,742 relates to the costs incurred to date to enhance the drilling equipment. The expected total cost of retrofitting both drilling rigs is \$1.3 million and is being financed through cash flow from operations. The Company also determined that certain equipment valued at \$351,622 will no longer be utilized due to the sale of five rigs and the drilling equipment enhancements and is in the process of being sold. The equipment was written down by \$175,000 with the remaining balance of \$176,622 being reclassified to current assets.

Technicoil's equipment loans were considered demand loans as of June 30, 2003 with negotiated monthly repayment terms extending until December 2005. Accordingly, these loans were classified as current liabilities. In July 2003, Technicoil renegotiated the terms of the equipment loans with the lender and signed a new agreement that eliminates the demand nature of the loans and amortizes all facilities over 48 months. As of June 30, 2003 Technicoil was not in compliance with one of the loan covenants under the former agreement relating to debt service coverage. The new agreement waives the debt service covenant until the end of the year given Technicoil's loss position at this time.

Working capital continues to improve as Technicoil generated \$569,486 in cash from operations this quarter despite a net loss. The working capital ratio, calculated without including the capital assets held for sale and the equipment loans with negotiated payment terms greater than one year, has improved continually over the past year and reached 1.4 at June 30, 2003. The positive trend represents management's efforts towards improving the profitability of operations, collecting receivables and paying down debt. Technicoil has a \$3 million operating line of credit available of which \$1,234,850 was outstanding at June 30, 2003. The balance was paid in full on July 2, 2003 and has not exceeded a balance of \$25,000 since that time.



* Defined as current assets divided by current liabilities, excludes capital assets held for sale and equipment loans with negotiated payment terms greater than one year.

Outlook

The outlook for the drilling operations is positive as the industry is catching up from the unusually wet spring and a weak 2002. Technicoil continues to work on a large-scale drilling project started in May and has faced few weather or operational issues to date in the third quarter. The first drilling unit completed its retrofit in mid August, with the second unit starting the retrofit process immediately after. Completion of the second retrofit is expected in early October. Technicoil has numerous agreements in place with several customers for the fall and into the winter months and anticipates being able to fully utilize both drilling rigs. The Company believes that the retrofitted rigs will result in increased margins due to lower maintenance and safety costs and more efficient operations.

The fracturing operations have been slow early in the third quarter primarily due to military maneuvers being performed in the Suffield block in July and issues with third party equipment and labour. Technicoil

experienced several weeks of downtime while resolving a recurring maintenance issue however this had no effect on revenue as Technicoil's rigs were not fully utilized. Utilization increased significantly in August and is expected to be strong throughout the remainder of August. Technicoil will also benefit from rate increases effective July for one of Technicoil's main fracturing customers. Technicoil realizes the importance of continuing to diversify its customer base for coil fracturing and to grow its drilling operations in order to be less susceptible to individual customer influences.

Technicoil expects coal bed methane production in Western Canada to move beyond the test phase and become established as a valuable resource to our customers. Technicoil's equipment is ideally suited for both drilling and fracturing coal bed methane wells and the Company believes they are well poised to gain additional customers and projects as a result.

Technicoil believes it has finally turned the corner after a year of significant change and unrest. The Company's balance sheet strong and management's attention is focused on improving operations in order to improve profitability.

Forward-Looking Statements

Any statements in this document that may be considered forward-looking are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated.

Technicoil Corporation

CONSOLIDATED BALANCE SHEETS

	June 30, 2003 (unaudited)	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,532,243	-
Accounts receivable	2,491,813	\$4,399,898
Income tax recoverable	1,799,265	1,811,915
Prepaid expenses	410,455	362,694
Capital assets held for sale	176,622	7,443,600
	6,410,398	14,018,107
Capital assets under construction	624,742	-
Capital assets	22,604,595	23,759,696
	\$29,639,735	\$37,777,803
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank operating loan	\$1,234,850	\$1,761,476
Accounts payable and accrued liabilities	1,976,048	2,876,054
Equipment loans (<i>note 3</i>)	4,766,419	11,134,212
	7,977,317	15,771,742
Future income taxes	2,649,249	2,599,131
Shareholders' equity:		-
Capital stock (<i>note 4</i>)	16,072,005	16,037,005
Retained earnings	2,941,164	3,369,925
	19,013,169	19,406,930
	\$29,639,735	\$37,777,803

Technicoil Corporation

**CONSOLIDATED STATEMENTS OF OPERATIONS
AND RETAINED EARNINGS**

(unaudited)

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Coil tubing service and drilling revenue	\$2,330,845	\$3,269,433	8,195,328	\$11,635,311
Expenses:				
Operating	1,773,345	3,029,131	6,083,521	7,200,920
General and administrative	292,361	819,170	519,502	1,523,634
Amortization	488,173	507,012	966,560	1,007,278
Impairment of capital assets	175,000	-	269,310	-
Loss on sale of capital assets	19,381	-	336,600	-
Bad debts	73,744	-	73,744	-
Interest on equipment loans	73,205	109,569	206,354	224,567
Other interest	(4,069)	(1,592)	(4,072)	(4,178)
Foreign exchange loss	242,380	109,735	363,710	101,420
	3,133,520	4,573,025	8,815,229	10,053,641
Net (loss) income before income tax	(802,675)	(1,303,592)	(619,901)	1,581,670
Income tax (recovery) expense:				
Current	(689,607)	(803,457)	(241,258)	110,516
Future	454,803	300,091	50,118	466,227
	(234,804)	(503,366)	(191,140)	576,743
Net (loss) income	(567,871)	(800,226)	(428,761)	1,004,927
Retained earnings, beginning of period	3,509,035	7,080,167	3,369,925	5,275,014
Retained earnings, end of period	2,941,164	6,279,941	2,941,164	6,279,941
Earnings per share:				
Basic	\$(0.01)	\$(0.02)	\$(0.01)	\$0.03
Weight average diluted	\$(0.01)	\$(0.02)	\$(0.01)	\$0.03

Technicoil Corporation

CONSOLIDATED STATEMENTS OF CASH FLOW

(unaudited)

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Cash provided by (used in):				
Operating activities:				
Net (loss) income	(567,871)	(800,226)	(428,761)	1,004,927
Add non-cash items				
Amortization	488,173	507,012	966,560	1,007,278
Impairment of capital assets	175,000	-	269,310	-
Loss on sale of capital assets	19,381	-	336,600	-
Future income tax	454,803	300,091	50,118	466,227
Cash flow from operations	569,486	6,877	1,193,827	2,478,432
Change in non-cash working capital	157,207	1,916,645	972,968	404,174
	726,693	1,923,522	2,166,795	2,882,606
Financing activities:				
Common shares and warrants issued	-	-	35,000	13,333
(Decrease) increase in equipment loans	(450,265)	1,047,388	(6,367,793)	554,429
	(450,265)	1,047,388	(6,332,793)	567,762
Investing activities:				
Acquisition of capital assets	(99,197)	(801,892)	(149,991)	(2,576,425)
Capital assets under construction	(441,742)	(2,036,805)	(624,742)	(1,211,809)
Proceeds on sale of capital assets	1,375,030	-	6,999,600	-
Acquisition of Technicoil minority interest	-	-	-	(1,085,135)
	834,091	(2,838,697)	6,224,867	(4,873,369)
Net increase (decrease) in cash and cash equivalents				
	1,110,519	132,213	2,058,869	(1,423,001)
Cash and cash equivalents (bank operating loan net of cash), beginning of period				
	(813,126)	(1,266,062)	(1,761,476)	289,152
Cash and cash equivalents (bank operating loan net of cash), end of period				
	\$297,393	\$(1,133,849)	\$297,393	\$(1,133,849)
Cash interest paid	\$86,749	\$123,026	\$233,280	\$209,363
Cash income taxes paid	-	\$873,580	-	\$1,115,496

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