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TECHNICOIL CORPORATION ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2004

2004 Fourth Quarter Results

For the three months ended Dec. 31 ($) (unaudited)	2004	2003	04/03	Change
Coil tubing service and drilling revenue	8,685,577	4,877,232	3,808,345	78%
Expenses:				
Operating	4,867,112	2,960,876	1,906,236	64%
General and administrative	740,093	395,951	344,142	87%
Depreciation	562,760	470,019	92,741	20%
Gain on sale of capital assets	–	(21,109)	21,109	100%
Interest on long-term debt	–	76,865	(76,865)	(100%)
Other interest	(48,292)	(2,649)	(45,643)	1723%
Foreign exchange (gain) loss	(23,922)	25,973	(49,895)	(192%)
	6,097,751	3,905,926	2,191,825	56%
Net income before income taxes	2,587,826	971,306	1,616,520	166%
Income tax expense:				
Current	743,602	47,708	695,894	1459%
Future	215,194	335,851	(120,657)	(36%)
	958,796	383,559	575,237	150%
Net income for the quarter	1,629,030	587,747	1,041,283	177%

Our fourth quarter of 2004 was our best quarter of the year as we earned net income of $1.6 million or $0.03/share. Our $8.7 million of revenue was the highest of any quarter in our history thanks to the combination of high demand and co-operative weather. Above average profitability from our field operations offset higher than normal overhead costs to produce a gross margin percentage in line with the 2004 year to date average, and much improved over the 2003 fourth quarter results.

Fracturing Operations

Our fracturing revenue increased by 68% over the fourth quarter of 2003 to $6.3 million as moderate weather throughout November and December allowed us to continue working right until the year end. The increase was also achieved with one fewer fracturing rig available in 2004 than in 2003. Throughout the year we began providing additional related services to our clients, increasing the amount of revenue we are able to earn per well. This was especially evident in the fourth quarter as several of our ancillary services were operational at that time.

Our fourth quarter fracturing gross margin at 50% of revenue is comparable to the 2003 fourth quarter gross margin of 51% of revenue and the year to date gross margin of 49% of revenue in spite of higher than normal direct labour and operations overhead costs. We started to over staff our fracturing crews in the fourth quarter in order to train additional personnel in preparation for our new rigs coming into service in 2005. A large portion of the operations management bonus accruals were booked in the fourth quarter as the company's performance improved throughout the year and in comparison to the prior year. A $0.1 million stock based compensation expense was booked into operations overhead during the quarter. Our overhead also increased as we continued to ramp up our personnel and systems in preparation for our fleet expansion. The increased profits from our ancillary fracturing services offset the higher than normal operating costs in order to hold our gross margin comparable to the 2003 fourth quarter and the 2004 year to date average.

Drilling Operations

Our drilling revenue increased by 111% over the fourth quarter of 2003 to $2.4 million due to having two rigs operational in the fourth quarter of 2004 compared to only one rig available for most of the fourth quarter of 2003. Once normalized for rig count, the actual revenue increase is 23%.

The drilling gross margin improved from 1% of revenue in the fourth quarter of 2003 to 27% of revenue in the fourth quarter of 2004. The 27% margin was consistent with the 2004 year to date gross margin of 27%. Similar to the fracturing operations, our drilling gross margin was negatively affected by higher than normal operations overhead costs for the quarter relating to bonus accruals, stock-based compensation expense and costs incurred in preparation for our fleet expansion. Operations overhead also included a $0.1 million charge relating to some equipment that was ordered for our new rigs and later cancelled when we were able to source a better piece of equipment for a comparable net cost. The cost of the newly sourced equipment plus the cancellation charge was comparable in price to cost of the the original equipment ordered, but was superior in terms of quality and performance in relation to our rig design. Boiler revenue helped to offset the high overhead costs this quarter to hold our gross margin at the 2004 year to date average.

General and Administrative Expenses

Like operations overhead, our general and administrative expenses were high for the fourth quarter of 2004, increasing by 87% over the fourth quarter of 2003. A large portion of the management bonus accruals were booked in the fourth quarter of 2004 as the company's performance improved over the year. Our stock-based compensation expense was also heavily weighted to the fourth quarter as we issued 637,000 stock options in November 2004.

Interest and Foreign Currency

In November 2004, we completed a private placement of 5.65 million shares for gross proceeds of $11.0 million. These proceeds, along with strong operating cash flow, resulted in $15.8 million in cash at year end and allowed us to earn interest income during the quarter.

We also realized a foreign currency gain during the fourth quarter as some U.S. dollar denominated payables for equipment purchases were met with a favourable decline in the exchange rate.

The M D & A

The following discussion is management's assessment of Technicoil's financial condition and operating results for the year ended December 31, 2004 and has been prepared with information available up to and as at March 14, 2005. The reader should be aware that historical results are not necessarily indicative of future performance. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by Technicoil at the time of preparation, may prove to be incorrect and actual results may differ, possibly materially, from expectations. Unless otherwise disclosed, all financial information in this section has been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and is presented in Canadian dollars. The discussion should be read with reference to our consolidated financial statements and notes. Additional information relating to Technicoil Corporation can be found on SEDAR at www.sedar.com.

Highlights

($ except as noted)	2004	2003	2002*
Number of rigs owned at end of year	9	9	14
Average number of rigs available during the year	7.9	9.3	12.9
Revenue	25,897,488	18,659,099	22,562,550
EBITDA[1]	9,364,990	5,525,321	3,995,867
Net income	4,729,448	1,307,332	(1,610,747)
Earnings per share, basic and diluted	0.10	0.03	(0.04)
Cash flow from operations[2]	7,795,079	4,514,458	4,382,622
Total assets	56,937,729	30,506,266	37,708,584
Total long-term financial liabilities[3]	–	3,069,649	6,685,962
Debt to equity ratio[4]	.21	.47	.95

* *Restated for change in inventory accounting policy.*

Our 2004 financial results are a reflection of high industry demand combined with improved operational performance from both our drilling and fracturing operations. Our net income more than tripled from 2003, reaching $4.7 million in 2004 or $0.10 per share. Revenue increased by 39% over 2003 to $25.9 million due to high utilization rates for both drilling and fracturing operations along with expanded services on our fracturing side. Fracturing revenue continued to be our primary business and provided 71% of consolidated revenue in 2004 compared to 77% in 2003. In February 2004, we renewed an operating agreement with one of our customers to provide six fracturing rigs on a first call basis for the next three years. This agreement was then revised in early 2005 to give our customer the right of first refusal on twelve of our fracturing rigs by the end of 2005. This agreement should help to facilitate high utilization for our fracturing operations over the term of the agreement.

1 EBITDA, or earnings before interest, taxes, depreciation and amortization, is calculated by adding back these items to reported net income. Currency losses and impairment and losses on capital assets are also added back as these are not considered operating costs. EBITDA is considered to be a non-GAAP (Generally Accepted Accounting Principles) 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 company's principal business activities prior to consideration of how these activities are financed or taxed.

2 Cash flow from operations is defined as net income before amortization, impairment of assets, loss on sale of assets, stock-based compensation expense and future income tax. Cash flow from operations is 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 cash flow from operations is useful for providing investors an indication of cash available for capital commitments, debt repayments and other obligations.

3 For 2002, total long-term financial liabilities includes equipment loans with negotiated payments that are not due within twelve months even though the loans are legally demand in nature and are shown as current liabilities in the consolidated financial statements.

4. Debt to equity ratio is defined as total liabilities divided by shareholders' equity. Debt to equity ratio is a non-GAAP measure that does not have a standardized meaning prescribed in GAAP, and therefore may not be comparable to similar measures presented by other issuers.

Our gross margin increased from 36% of revenue in 2003 to 43% of revenue in 2004 due to an improvement in our drilling profitability and comparatively low margins in the first half of 2003. Net income was also aided by lower interest payments in 2004 as we had no outstanding debt for the second half of the year after raising $22 million through two private placements. The private placements were completed in order to fund a portion of our over $50 million capital expansion to build eleven new coil fracturing rigs and four new coil drilling rigs in response to customer demand. At December 31, 2004 our $12.7 million of capital assets in progress and $15.8 million in cash were the majority of the increase in total assets to $56.9 million from $30.5 million at December 31, 2003.

Results of Operations

Fracturing Operations

Year ended Dec. 31	2004	2003	04/03	Change
Fracturing Revenue	18,334,164	14,380,261	3,953,903	27%
Operating Expenses	9,315,694	7,727,778	1,587,916	21%
Gross Margin	9,018,470	6,652,483	2,365,987	36%
Utilization %	57%	44%	13%	30%
Average number of rigs available during the year	5.9	8.0	(2.1)	(26%)
Number of wells completed	1,983	1,614	369	23%

Revenue from our fracturing operations increased by 27% over 2003 to $18.3 million. This $4.0 million increase in fracturing revenue over 2003 was achieved with an average of six available service rigs in 2004 compared to eight available service rigs in 2003. Two of our service rigs completed major structural conversions to tractor/trailer style units during the year, with a third unit in progress at year end. The sale of five service rigs early in 2003 also accounted for the decrease in available rigs for 2004. Revenue per available rig increased by 73% from 2003 to 2004.

The growth in our fracturing revenue is attributed to higher utilization and rate increases from providing additional services to our customers. Our long-term operating agreement with one of our customers, along with high industry demand, facilitated high utilization levels in 2004. The operating agreement is expected to provide an important source of work for our new fleet of 11 service rigs currently under construction. The growth of coal bed methane (CBM) is also a promising area for our service operations, with two of our service rigs working almost exclusively on CBM wells during the year. Over a quarter of our wells fractured this year were CBM wells.

Our fracturing utilization percentage and revenue increased in every quarter of 2004, including realizing an increase from the first to the second quarter when spring breakup would normally limit operations. We were able to keep several service rigs working on the Suffield Block in Southern Alberta throughout the spring breakup period when road bans were in effect for the rest of the province. Two of our rigs also operated 16 to 24 hours per day for most of the second quarter which resulted in April having the second highest fracturing hours of any month this year. Our strong second quarter and mild weather in the fourth quarter were the main reasons for our 57% utilization rate in 2004 compared to 44% in 2003.

We began to provide additional related services to our clients this year which increased the amount of revenue we earned per well. We benefited from rate increases arising from use of our tractor/trailer style units and from providing our own fracturing iron to most customers.

Our fracturing gross margin increased from 46% of revenue in 2003 to 49% of revenue in 2004 due to a 30% increase in utilization over the same period. The higher utilization allowed us to spread our fixed overhead costs over a greater number of hours, thus improving our gross margin as a percentage. However, the economies of scale achieved from higher utilization rates were offset by increased labour costs in the fourth quarter of 2004 as we overstaffed our crews in order to train additional personnel in preparation for our 11 new fracturing rigs coming into service. We also spent over $0.3 million during the year on equipment upgrades and major maintenance.

Our fracturing operations were also affected by high operating overhead costs in 2004, especially in the fourth quarter. Operations overhead in 2004 included a stock-based compensation expense of $0.1 million, most of which was allocated to the fracturing operations, with no comparative amount recorded in 2003. The stock-based compensation expense relates to stock options issued during 2004 to operations management. Bonus accruals for operations management were also higher in 2004 than in 2003 as the management bonus plan is partially based on company performance, which improved over the prior year. We also realized a continual increase in operations overhead in preparation for our fleet expansion.

Drilling Operations

Year ended Dec. 31	2004	2003	04/03	Change
Drilling Revenue	7,563,324	4,278,838	3,284,486	77%
Operating Expenses	5,514,741	4,152,693	1,362,048	33%
Gross Margin	2,048,583	126,145	1,922,438	1524%
Utilization %	65%	27%	38%	141%
Average number of rigs available during the year	2.0	1.3	0.7	54%
Number of wells completed	257	197	60	30%

Our drilling revenue increased 77% to $7.6 million in 2004 compared to 2003. This $3.3 million increase is partially attributable to operating an average of two drilling rigs during 2004 compared to only 1.3 during 2003 when both of our drilling rigs were undergoing a major retrofit process. Revenue per available rig increased by 15% over the same period as utilization rates increased from 27% in 2003 to 65% in 2004. Despite improved utilization rates over a year ago, rain hindered operations for a large portion of the second and third quarters as parts of Southern Alberta, our main operating area, recorded their wettest year in over half a century. Both of our drilling rigs were fully contracted for the year as we worked for six different customers. Our customer list included both large, international companies and smaller junior resource companies.

Our drilling gross margin was 27% of revenue in 2004 compared to 3% of revenue in 2003. Our drilling margin has improved steadily since the completion of our retrofits in 2003. Our gross margin was -8% in the first half of 2003 prior to the retrofits and improved to 14% in the second half of 2003 before climbing to 27% in 2004. The higher gross margin is due to a combination of higher utilization rates, more experienced crews, less downtime and lower repair costs resulting from the more reliable retrofitted rigs.

Our drilling gross margin is partially offset by higher operating overhead costs in 2004, especially in the fourth quarter. Similar to the fracturing operations overhead, the drilling operations overhead was negatively affected by stock-based compensation expense, higher bonus accruals for operations management than in 2003 and a continual increase in overhead in preparation for our fleet expansion.

General and Administrative Expenses

General and administrative expenses increased from $1.2 million in 2003 to $1.8 million in 2004. Bonus accruals for management were higher in 2004 than in 2003 as the management bonus plan is partially based on company performance, which improved over the prior year. Stock-based compensation expense is another reason for the increase as we recorded a $0.25 million expense in general and administrative expenses in 2004 compared to less than $0.1 million in 2003.
The 52% increase in general and administrative expenses, although large on a percentage basis, is in line with our revenue growth. General and administrative expenses represented 6.9% of revenue in 2004 compared to 6.3% in 2003.

Our recovery of bad debt relates to a U.S. receivable that had been fully reserved for in prior years. Early in 2004 we reached an agreement with the debtor to recover the majority of the reserved balance. All scheduled payments were received by the end of the third quarter.

Depreciation, Impairment and Loss on Sale of Assets

Depreciation expense for 2004 increased by 9% over 2003 to $2.1 million, consistent with the 8% increase in gross assets (excluding capital assets in progress which are not subject to depreciation) over the same period. Significant capital items being depreciated in 2004 that were not depreciated in 2003 include the conversion costs for two fracturing rigs and the drilling rig retrofits which were only depreciated for a portion of 2003.

A $0.1 million loss on the sale of assets was realized in 2004 as several pieces of customized equipment related to drilling operations were sold. We determined that we no longer had a use for these assets after deciding upon the design of our new drilling rigs and related equipment. There were no asset writedowns in 2004.

A $0.3 million writedown was made in the first quarter of 2003 related to the five rigs and ancillary equipment held for sale at that time. An additional $0.3 million loss was realized on the eventual sale.

Interest, Foreign Currency and Taxes

Our interest on long-term debt decreased by 63% over 2003 as we paid out all outstanding long-term debt by the end of June 2004 using a portion of the proceeds from our June private placement. We were able to earn $0.1 million in interest income from investing our excess funds during the year as our payment terms for the newly ordered capital equipment did not necessitate an immediate use of the funds.

We realized a foreign currency gain of $0.1 million this year as some unhedged U.S. dollar denominated payables for equipment purchases were met with a favourable decline in the exchange rate. Our exposure to foreign currency risk has been reduced significantly now that we no longer operate in the U.S.

Our tax expense increased by $1.5 million over the prior year to $2.4 million due to an increase in profitability from 2003 to 2004. Our effective tax rate during 2004 decreased to 34.0% from the prior year's effective tax rate of 41.2%. Higher non-deductible expenses in 2004, including our $0.3 million stock-based compensation expense, and a reduction in both federal and Alberta provincial tax rates helped to reduce our effective rate below the statutory tax rate. Our current tax expense also benefited this year from reduced federal and provincial tax rates and the deductibility of our recent share issue costs.

Summary of Quarterly Results

2004

($) (unaudited)	Q1	Q2	Q3	Q4	Total
Revenue	5,593,094	5,020,651	6,598,166	8,685,577	25,897,488
Net income	958,972	781,356	1,360,090	1,629,030	4,729,448
Basic earnings per share	$0.02	$0.02	$0.03	$0.03	$0.10
Diluted earnings per share	$0.02	$0.02	$0.03	$0.03	$0.10

2003*

($) (unaudited)	Q1	Q2	Q3	Q4	Total
Revenue	5,864,483	2,330,845	5,586,539	4,877,232	18,659,099
Net income	70,073	(607,149)	1,256,661	587,747	1,307,332
Basic earnings per share	$0.00	$(0.02)	$0.03	$0.01	$0.03
Diluted earnings per share	$0.00	$(0.02)	$0.03	$0.01	$0.03

* *Restated for change in inventory accounting policy.*

As an oilfield services company, we are dependent on the capital spending of our customers, with the whole industry dependent on the current and anticipated future crude oil and natural gas prices.

We are also subject to seasonality throughout the year, as are all companies in the oil and gas industry, due to restrictive weather conditions. Our third quarter is normally our busiest quarter for fracturing and drilling operations due to historically favourable weather conditions in Alberta, our primary operating area. Many wells are fractured with water-based fluid carrying sand that limits the ability to perform fracturing work in temperatures below approximately -25ºC. As a result, our fracturing revenue can often vary from year-to-year in the first and fourth quarters depending on the favourability of weather conditions. Coal bed methane wells, however, are fractured with nitrogen instead of water, which does not freeze in cold weather. We expect that the growth of CBM production will help to mitigate the seasonality of our fracturing operations in the future.

Both our drilling and fracturing rigs are subject to road bans during the spring. As the warmer 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 the road bans during "spring breakup" impacts our, and industry activity levels each spring. This causes our second quarter revenue to often be our lowest quarter of the year. Despite lower revenue, the second quarter does not always see a corresponding decrease in costs as we use the spring breakup period to perform major repairs and maintenance to our equipment and to train our field employees.

Summary of 2004 quarterly results

The 2004 year was impacted by record high crude prices, resulting in very strong industry demand. Our rigs were in high demand by our customers throughout the year, with weather acting as the main lever affecting our financial results.

The year 2004 started with fairly typical winter weather for January and February. Spring break-up arrived in early March, shutting down our drilling operations in the second week of March until the last week of April. Our fracturing operations were not shut down entirely during this period as several of our fracturing rigs were able to work on the Suffield Block in Southern Alberta throughout the breakup period resulting in above average results for April. Despite the early end to spring breakup, bouts of rain continued throughout May and June causing sporadic work stoppages for both drilling and fracturing rigs and lower than anticipated utilization. The rain continued into the third quarter, with parts of Southern Alberta experiencing their wettest year in over half a century. The rain limited both the drilling and fracturing activity for parts of July, most of August and the first half of September. Nevertheless, our third quarter results were still better than the prior year as only one drilling rig was working at any time in the third quarter of 2003 due to the ongoing retrofits. The sun returned in the fourth quarter producing ideal weather conditions for both drilling and fracturing operations. Moderate winter weather allowed our fracturing rigs to work throughout November and December, resulting in a strong fourth quarter.

Summary of 2003 quarterly results

Industry demand was also high in 2003 although our rigs were still in the process of proving themselves to our customers. Our rigs did not operate at their full capacity during 2003 as a result.

The year 2003 followed the normal seasonality pattern, taking into consideration the decline in our rig fleet after the first quarter. Although revenue was high in the first quarter of 2003, losses from the drilling rigs resulted in only a small net income. A decision was made at that time to retrofit the drilling rigs in order to correct some of the design issues that were contributing to the low margins. We were also challenged with the sale of five rigs and with repatriating all remaining rigs from the United States during the first quarter. Our second quarter of 2003 was our lowest quarter of the year due to a combination of a long spring breakup, the ongoing drilling rig retrofits and the impairment of capital assets. The third quarter was our best quarter of the year as a reduced infrastructure combined with high utilization and high margins from both the drilling and fracturing rigs for positive results. Our encouraging results continued into the fourth quarter of 2003 as our margins remained high but were affected by lower utilization than the third quarter.

Liquidity and Capital Resources

Cash flow from operations

We ended 2004 with $15.8 million in cash compared to $2.6 million at the end of 2003. Cash flow from operations (including the net change in working capital) provided $10.4 million of cash in 2004 compared to $6.4 million in 2003. The 62% increase from 2003 to 2004 is in line with the 64% increase in our gross margin over the same period. A large portion of our accounts payable at December 31, 2004 related to capital projects. The net change in accounts payable and other working capital items that related to the purchase of capital assets were separated and reported under investing activities.

Cash flow from financing activities

Net cash from financing activities was $16.7 million in 2004 compared to a net outflow of $6.8 million in 2003. The significant increase in our cash balance over the prior year is primarily due to raising $20.5 million ($22.0 million net of $1.5 million in share issue costs) through two private placements completed during 2004. On June 28, 2004 we closed a private placement issuance of 11 million common shares at $1.00 per share for gross proceeds of $11.0 million. On November 22, 2004 we closed a second private placement issuance for an additional 5.65 million shares at $1.95 per share for gross proceeds of just over $11.0 million. The private placements were completed in order to finance a portion of our $50 million plus capital expansion. A portion of the proceeds from the June private placement were used to retire our remaining long-term debt since favourable payment terms for most of our capital equipment did not require an immediate use of the funds. In total, our long term debt was reduced by $4.2 million in 2004 after a $6.9 million reduction in 2003.

Proceeds from the exercise of stock options also provided $0.3 million of cash in 2004 compared to $0.1 million in 2003. As at December 31, 2004, we had 56,657,021 common shares issued and outstanding. We also had 2,855,134 stock options issued and outstanding of which 1,232,561 were vested. We have not issued any new stock options subsequent to December 31, 2004.

Cash flow from investing activities

Capital expenditures for 2004 were $15.4 million compared to $2.6 million in 2003. Over 80% of our capital expenditures in 2004 relate to progress payments on our fifteen new rigs currently under construction. We also spent $1.8 million converting three of our fracturing units to tractor/trailer style units. The first two converted units were completed in the summer months and have been in high demand from our customers due to their increased maneuverability resulting from design changes and reduced weight. A third unit underwent the conversion process starting in August after incurring significant damage during transport by a third party carrier. After assessing the damage, a decision was made to convert the unit to the new tractor/trailer style rather than repairing it to its original condition. Insurance proceeds should be sufficient to cover the repair portion of the costs.

Cash Requirements and Resources

Our growth capital program, totaling over $50 million, to build fifteen new rigs in by the end of 2005 is our predominant cash need. Cash flow from operations and proceeds from our two private placements have been sufficient to finance any required capital payments to date. These sources of cash, however, will not be sufficient to finance the entire capital expansion.

We plan to arrange new credit facilities within the next few months to finance our remaining capital expenditures. Preliminary discussions with our bank have not indicated any issues in accessing our anticipated required debt level, which is not expected to exceed $20 million in 2005. We also have a $0.2 million operating line of credit with our bank.

Our only contractual obligations at this time relate to operating leases for vehicles and office premises and are as follows:

Payments due by period ($)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Operating leases	866,227	298,373	268,838	168,296	130,720

Most of the $50 million in capital expenditures for our new rigs has also been committed under contracts and agreements to suppliers. The amounts were not included in the table above as payment is dependent on delivery of the equipment ordered. We believe that we have sufficient liquidity to operate our business and execute our strategic plan for the foreseeable future.

Consolidated Balance Sheets

As at December 31,	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	$ 15,807,019	$ 2,640,536
Accounts receivable	3,744,809	3,433,194
Income taxes receivable	–	1,758
Inventory	292,096	343,023
Prepaid expenses	201,324	241,007
	20,045,248	6,659,518
Capital assets under construction	12,659,255	28,300
Capital assets	24,233,226	23,818,448
	$ 56,937,729	$30,506,266
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,649,352	$ 2,164,119
Income taxes payable	1,768,984	106,052
Current portion of long-term debt	–	1,131,180
	6,418,336	3,401,351
Long-term debt	–	3,069,649
Future income taxes	3,291,473	3,242,798
Shareholders' equity:		
Share capital	37,572,585	16,122,005
Contributed surplus	317,849	62,425
Retained earnings	9,337,486	4,608,038
	47,227,920	20,792,468
	$ 56,937,729	$30,506,266

Consolidated Statements of Operations and Retained Earnings

Years ended December 31,	2004	2003
Coil tubing service and drilling revenue	$ 25,897,488	$18,659,099
Expenses:		
Operating	14,830,435	11,880,471
General and administrative	1,791,283	1,179,563
Bad debt (recovery) expense	(89,220)	73,744
Depreciation	2,093,936	1,916,233
Impairment of capital assets	–	269,310
Loss on sale of capital assets	115,618	315,491
Interest on long-term debt	143,345	387,656
Other interest (income) expense	(97,051)	34,793
Foreign exchange (gain) loss	(55,163)	378,011
	18,733,183	16,435,272
Net income before income tax	7,164,305	2,223,827
Income tax expense		
Current	1,891,094	272,828
Future	543,763	643,667
	2,434,857	916,495
Net income for the year	4,729,448	1,307,332
Retained earnings, beginning of year	4,608,038	3,300,706
Retained earnings, end of year	$ 9,337,486	$ 4,608,038
Earnings per share – basic and diluted	$ 0.10	$ 0.03

Consolidated Statements of Cash Flows

Years ended December 31,	2004	2003
Cash provided by (used in):		
Operating activities:		
Net income for the year	$ 4,729,448	$ 1,307,332
Add non-cash items:		
Depreciation	2,093,936	1,916,233
Impairment of capital assets	–	269,310
Loss on sale of capital assets	115,618	315,491
Stock-based compensation expense	312,314	62,425
Future income tax	543,763	643,667
Cash flow from operations before net change in non-cash working capital	7,795,079	4,514,458
Net change in non-cash working capital from operations	2,588,983	1,895,114
	10,384,062	6,409,572
Financing activities:		
Private placements	22,017,500	–
Share issue costs	(1,461,730)	–
Common shares issued	342,832	85,000
Repayment of long-term debt	(4,200,829)	(6,933,383)
	16,697,773	(6,848,383)
Investing activities:		
Acquisition of capital assets	(15,368,631)	(2,563,000)
Proceeds on sale of capital assets	113,344	7,065,600
Net change in non-cash working capital from the purchase of capital assets	1,339,935	338,223
	(13,915,352)	4,840,823
Net increase in cash and cash equivalents	13,166,483	4,402,012
Cash and cash equivalents, beginning of year	2,640,536	(1,761,476)
Cash and cash equivalents, end of year	$ 15,807,019	$ 2,640,536
Cash income taxes paid (received)	$ 226,292	$ (1,089,404)
Cash interest paid	$ 99,889	$ 404,286

Note

Segmented information

The Company operates in two areas in the oil and gas service industry – well fracturing (servicing) and drilling. The same accounting procedures and policies are applied to the well fracturing and drilling segments.

	Year ended December 31, 2004			Year ended December 31, 2003		
	Servicing	Drilling	Total	Servicing	Drilling	Total
Revenue	$18,334,164	$7,563,324	$25,897,488	$14,380,261	$4,278,838	$18,659,099
Operating Expenses	9,315,694	5,514,741	14,830,435	7,727,778	4,152,693	11,880,471
Gross Margin	9,018,470	2,048,583	11,067,053	6,652,483	126,145	6,778,628
Non-operating costs			6,337,605			5,471,296
Net income			$4,729,448			$1,307,332
Capital assets under construction	5,696,202	6,963,053	12,659,255	28,300	-	28,300
Capital assets:						
Rigs and equipment	10,035,571	12,766,955	22,802,526	9,632,741	12,945,321	22,578,062
Shared assets			1,430,700			1,240,386
			$36,892,481			$23,846,748

Technicoil Corporation

Suite 1550, 633 – 6th Avenue SW, Calgary, Alberta, Canada T2P 2Y5

Tel: (403) 509-0700 — Fax: (403) 509-0701

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

Investor Relations

Arthur E. Dumont
Chairman & Chief Executive Officer — Tel: (403) 509-0705