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Technicoil Corporation

THIRD QUARTER INTERIM REPORT AND NEWS RELEASE
FOR THE PERIOD ENDED SEPTEMBER 30, 2005

Management's Discussion & Analysis

The following discussion is management's assessment of Technicoil Corporation's financial condition and operating results for the nine months ended September 30, 2005 and has been prepared with information available up to and as at November 10, 2005. The interim Management's Discussion and Analysis (MD&A) should be read in conjunction with our unaudited interim consolidated financial statements and notes and in conjunction with our audited consolidated financial statements and MD&A contained in our annual report for the year ended December 31, 2004. 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. Additional information relating to Technicoil Corporation can be found on SEDAR at www.sedar.com.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by Technicoil Corporation at the time of preparation, may prove to be incorrect and actual results may differ, possibly materially, from expectations. The reader should be aware that historical results are not necessarily indicative of future performance.

SUMMARY

(unaudited)	Three months ended September 30 **2005**	2004	Nine months ended September 30 **2005**	2004
Number of rigs owned at end of period	**13**	9	**13**	9
Average number of rigs available during the period	**12.3**	8.0	**10.2**	7.8
Revenue	**$ 10,699,360**	$ 6,598,166	**$ 24,011,794**	$ 17,211,911
Gross margin %	**40%**	44%	**36%**	42%
EBITDA [1]	**$ 3,409,639**	$ 2,621,482	**$ 6,372,670**	$ 6,286,618
Net income	**$ 1,477,913**	$ 1,360,090	**$ 2,547,739**	$ 3,100,418
Earnings per share, basic and diluted	**$ 0.03**	$ 0.03	**$ 0.04**	$ 0.07
Funds flow from operations [2]	**$ 3,318,771**	$ 2,110,216	**$ 6,289,280**	$ 5,153,578
Shares outstanding at end of period	**57,458,753**	50,400,355	**57,458,753**	50,400,355
Weighted average shares - basic	**57,237,341**	50,347,007	**57,048,424**	43,103,336
Weighted average shares - diluted	**58,730,049**	52,054,837	**58,584,904**	44,630,608

	September 30, 2005	December. 31, 2004
Total assets	**$ 79,573,619**	$ 56,937,729
Long-term financial liabilities	**$ 11,475,000**	–
Debt to equity ratio [3]	**0.56**	0.21

1 *EBITDA, or earnings before interest, taxes, depreciation and amortization, 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 Company's principal business activities prior to consideration of how these activities are financed or taxed. Technicoil calculates EBITDA as follows:*

(unaudited)	*Three months ended September 30,* ***2005***	*2004*	*Nine months ended September 30,* ***2005***	*2004*
Coil tubing service and drilling revenue	***$ 10,699,360***	*$ 6,598,166*	***$ 24,011,794***	*$ 17,211,911*
Less : Operating expenses	***6,390,229***	*3,689,076*	***15,257,616***	*9,963,323*
General and administrative expenses	***899,492***	*296,799*	***2,381,508***	*1,051,190*
Bad debt recovery	*–*	*(9,191)*	*–*	*(89,220)*
EBITDA	***$ 3,409,639***	*$ 2,621,482*	***$ 6,372,670***	*$ 6,286,618*

2 *Funds flow from operations is defined as net income before depreciation, gain or loss on sale of capital assets, stock-based compensation expense, non-cash Director compensation and future income tax. A reconciliation of the calculation to net income is shown on the Consolidated Statement of Cash Flows. Funds 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 that funds flow from operations is useful for providing investors with an indication of working capital available for capital commitments, debt repayments and other obligations.*

3 *Debt to equity ratio is defined as total liabilities, including current liabilities, debt and future income taxes, divided by shareholders' equity. Debt to equity ratio 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's Discussion & Analysis

HIGHLIGHTS

In the third quarter of 2005 we generated $10.7 million in revenue, which is a 62% increase over the $6.6 million of revenue reported in the third quarter of 2004 and marks our highest revenue ever recorded in a quarter. This revenue increase is a result of higher day rates for both the drilling and fracturing operations, an increase in our fracturing utilization and an increase in our drilling rig fleet due to the completion of our 2005 drilling rig expansion program during the quarter. Our gross margin as a percentage of revenue increased from the previous two quarters of 2005 to 40%, however it was still lower than the 44% reported in the third quarter of 2004. Our lower margin is primarily due to our drilling operations providing 49% of our revenue this quarter versus only 27% in the third quarter of 2004. Our drilling operations traditionally produce a lower margin than our fracturing operations, therefore the increased proportion of drilling operations this quarter has reduced our overall margin accordingly.

Funds flow from operations [2] increased by 57% to $3.3 million in the third quarter of 2005 versus $2.1 million in the third quarter of 2004. However, non-cash expenses such as depreciation, stock-based compensation and future income tax increased by 145% over the same period, resulting in only a 9% increase in net income in the third quarter of 2005 to $1.5 million versus $1.4 million in the third quarter of 2004. Our basic and diluted earnings per share were $0.03 this quarter, which is consistent with the third quarter of 2004.

As noted above, our 2005 drilling rig expansion program was completed in the third quarter as our final two drilling rigs were delivered in July and August, respectively. Our drilling fleet now stands at six rigs after the addition of four new rigs in 2005. Our 2005 fracturing expansion program is still ongoing with our first new fracturing rig starting field operations on October 20, 2005. As of November 10, 2005, two of our 11 new fracturing rigs have been completed with an additional two rigs scheduled for delivery by November 15, 2005, approximately two weeks behind schedule. The remaining seven rigs are currently being constructed and are scheduled for delivery throughout the fourth quarter, however, it now appears that due to delays by our third party manufacturers, one or two of the rigs may not be delivered until January 2006.

RESULTS OF OPERATIONS

Fracturing Operations

Three months ended September 30 (unaudited)	**2005**	2004	Variance	% Change
Fracturing Revenue	**$ 5,476,120**	$ 4,785,264	$ 690,856	14%
Operating Expenses	**$ 2,791,525**	$ 2,392,015	$ 399,510	17%
Gross Margin	**$ 2,684,595**	$ 2,393,249	$ 291,346	12%
Gross Margin %	**49%**	50%	(1%)	(2%)
Utilization % [4]	**60%**	57%	3%	5%
Average number of rigs available during the quarter	**7.0**	6.0	1.0	17%
Number of wells completed	**532**	511	21	4%

Nine months ended September 30 (unaudited)	**2005**	2004	Variance	% Change
Fracturing Revenue	**$ 14,685,480**	$ 12,011,352	$ 2,674,128	22%
Operating Expenses	**$ 8,116,560**	$ 6,178,000	$ 1,938,560	31%
Gross Margin	**$ 6,568,920**	$ 5,833,352	$ 735,568	13%
Gross Margin %	**45%**	49%	(4%)	(8%)
Utilization % [4]	**54%**	52%	2%	4%
Average number of rigs available during the period	**7.0**	5.8	1.2	21%
Number of wells completed	**1,379**	1,352	27	2%

4 *Utilization % for our fracturing 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.*

Our fracturing revenue increased by 14% to $5.5 million in the third quarter of 2005 compared to $4.8 million in the third quarter of 2004. The third quarter revenue growth is due to an increase in average number of rigs available, higher utilization rates and an increase in rig rates. Our utilization rate was 60% in the third quarter of 2005 compared to 57% in the third quarter of

2004 due to strong activity levels in July. August and September were both slightly hampered by wet weather conditions. On a year to date basis, our fracturing revenue has increased by 22% to $14.7 million over the first nine months of 2004 due to a combination of rate increases from providing additional ancillary services to our customers since the middle of 2004, and higher utilization of a greater number of rigs available for work.

Our fracturing gross margin increased by 12% to $2.7 million over the third quarter of 2004, consistent with the 14% increase in revenue over the same period. Gross margin as a percentage of revenue was 49% in the third quarter of 2005 compared to 50% in the third quarter of 2004. On a year to date basis, our gross margin was 45% of revenue for the first nine months of 2005 compared to 49% of revenue in the first nine months of 2004. The lower gross margin percentage in 2005 on a year-to-date basis is due to high maintenance costs in the first quarter of 2005. In addition, similar to the first and second quarters of 2005, our operations overhead costs were higher this quarter than in 2004 as we increased our field and office staff in anticipation of supporting our new rigs. Delays in the delivery of our fracturing equipment has resulted in an increase in overhead costs without the benefit of increased fracturing revenue. These increased overhead costs are expected to have a much smaller impact on our gross margin once our full fleet expansion is complete.

Drilling Operations

Three months ended September 30 (unaudited)	**2005**	2004	Variance	% Change
Drilling Revenue	**$ 5,223,240**	$ 1,812,902	$ 3,410,338	188%
Operating Expenses	**$ 3,598,704**	$ 1,297,061	$ 2,301,643	177%
Gross Margin	**$ 1,624,536**	$ 515,841	$ 1,108,695	215%
Gross Margin %	**31%**	28%	3%	11%
Utilization % [5]	**65%**	69%	(4%)	(6%)
Average number of rigs available during the quarter	**5.3**	2.0	3.3	165%
Number of wells completed	**165**	83	82	99%

Nine months ended September 30 (unaudited)	**2005**	2004	Variance	% Change
Drilling Revenue	**$ 9,326,314**	$ 5,200,559	$ 4,125,755	79%
Operating Expenses	**$ 7,141,056**	$ 3,785,323	$ 3,355,733	89%
Gross Margin	**$ 2,185,258**	$ 1,415,236	$ 770,022	54%
Gross Margin %	**23%**	27%	(4%)	(15%)
Utilization % [5]	**61%**	61%	0%	0%
Average number of rigs available during the period	**3.2**	2.0	1.2	60%
Number of wells completed	**253**	194	59	30%

5 *Utilization % for our 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.*

Our drilling revenue increased by 188% to $5.2 million in the third quarter of 2005 compared to $1.8 million in the third quarter of 2004, and by 79% to $9.3 million for the first nine months of 2005 compared to $5.2 million in the first nine months of 2004. The revenue growth in the third quarter is primarily attributed to the addition of two drilling rigs during the quarter, bringing our total drilling fleet to six rigs, compared to having only two rigs in 2004. However, as disclosed in our second quarter report, one of our drilling rigs was unavailable for most of the quarter as it suffered damage during transport by a third party carrier in early July, thus we were not able to attain full utilization of our six rig fleet during the quarter. The rig returned to field operations on October 11, 2005. In addition to the increase in our overall fleet this quarter, we also benefited from an increase in our drilling rates and an increase in the average time per well this year over 2004 as the number of wells completed in 2005 compared to 2004 did not increase by the same magnitude as the increase in revenue. Our 65% utilization rate in the third quarter of 2005, which includes our damaged rig in the calculation, was slightly less than the 69% utilization rate in the third quarter of 2004. Our utilization percentage for the third quarter of 2005 would have been 78% had we excluded our damaged rig from the calculation for the period while it was under repair. On a year to date basis, our utilization rate is 61% for both the first nine months of 2005 and the first nine months of 2004, but increases to 68% for the first nine months of 2005 if we exclude our damaged rig from the calculation for the period while it was under repair.

Our drilling gross margin increased by 215% in the third quarter of 2005 compared to the third quarter of 2004, which exceeds our 188% increase in revenue over the same period. Gross margin was 31% of revenue in the third quarter of 2005 compared to 28% of revenue in the third quarter of 2004. The increased gross margin percentage is primarily a result of lower maintenance and operating costs on the four new drilling rigs that have been added this year versus the two older rigs that comprised our drilling fleet in 2004. On a year to date basis, our gross margin as a percentage of revenue is 23% for the first nine months of 2005 compared to 27% for the first nine months of 2004. High maintenance costs in the second quarter of 2005, combined with high initial overhead costs associated with the drilling fleet expansion in the first and second quarters, reduced the gross margin in the first two quarters of 2005.

General and Administrative Expenses

Our general and administrative expenses increased by 203% to $0.9 million in the third quarter of 2005 from $0.3 million in the third quarter of 2004. Almost half of the increase in our general and administrative expenses is attributed to stock-based compensation expense and non-cash Director compensation which increased by $0.3 million or ten times over the 2004 amount as a result of issuing stock options to employees, officers and Directors and from issuing shares to outside Directors as part of their compensation package. Expenses relating to our TSX listing also accounted for $0.2 million or a quarter of the increase in the third quarter of 2005 over the third quarter of 2004, with legal expenses relating to obtaining advice regarding outstanding legal proceedings and other regulatory matters also accounting for $0.1 million of the increase. The increase in general and administrative expenses is also significant on a year to date basis as general and administrative expenses increased by 127% to $2.4 million in the first nine months of 2005 compared to $1.1 million in the first nine months of 2004. Stock-based compensation expense increased by $0.6 million in the first nine months of 2005 compared to the first nine months of 2004, with legal expenses and consulting fees for other professional services also accounting for $0.4 million of the increase. Our general and administrative expenses also rose slightly as we upgraded our infrastructure and systems to accommodate our fleet expansion. General and administrative expenses were 8% of revenue in the third quarter of 2005 compared to 4% in the third quarter of 2004, and were 10% for the first nine months of 2005 compared to 6% for the first nine months of 2004.

Depreciation and Gain on Sale of Assets

Depreciation expense increased by 74% to $0.9 million in the third quarter of 2004 from $0.5 million in the third quarter of 2004. This increase is consistent with the 74% increase in depreciable assets over the same period. Significant capital items being depreciated in the third quarter of 2005 and the first nine months of 2005 that were not depreciated in the third quarter of 2004 or the first nine months of 2004 include the four new drilling rigs completed in 2005, conversion costs for three of our fracturing rigs completed in 2004 and early 2005, and a general increase in our office furnishings, computer hardware and computer software in order to support our expansion.

Interest, Foreign Currency and Taxes

We incurred only a nominal amount of interest expense in the third quarter and the first nine months of 2005 as we had no debt outstanding until late in June, and averaged less than $3 million in outstanding long-term debt during the third quarter of 2005. Other interest expense represents interest paid on our $2.0 million operating line of credit, which we utilized during the third quarter of 2005. In the first half of 2005, we earned interest income from investing our excess funds as payment terms for our equipment under construction, combined with construction delays, did not necessitate a use for our funds during that time.

We realized a nominal foreign exchange gain in the third quarter of 2005. On a year to date basis, we realized a $0.1 million foreign exchange loss due to unfavourable declines in the exchange rate at times when we had unhedged U.S. dollar denominated payables outstanding for equipment purchases.

Our effective tax rate was 39.2% for the third quarter of 2005 compared to 35.2% for the third quarter of 2004. On a year to date basis, our effective tax rate was 39.7% in the first nine months of 2005 compared to 32.3% for the first nine months of 2004. The effective tax rate increase over the prior year is due to stock-based compensation expense, a non-deductible expense for tax purposes, increasing from 2% of our pre-tax income for the first nine months of 2004 to 16% of our pre-tax income for the first nine months of 2005. Our current tax rate was 16.3% in the third quarter of 2005 compared to 26.7% in the third quarter of 2004. This decrease is due to claiming higher capital cost allowance in 2005. Our current tax rate will continue to decrease throughout the year as our new rigs are put into service and become depreciable assets for tax purposes.

SUMMARY OF QUARTERLY RESULTS

($000's except per share data)(unaudited)	2003 [6]		2004				2005		
Three months ended	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Revenue	5,587	4,877	5,593	5,021	6,598	8,686	7,222	6,091	**10,699**
Net income	1,257	588	959	781	1,360	1,629	656	414	**1,478**
Basic earnings per share	$0.03	$0.01	$0.02	$0.02	$0.03	$0.03	$0.01	$0.01	**$0.03**
Diluted earnings per share	$0.03	$0.01	$0.02	$0.02	$0.03	$0.03	$0.01	$0.01	**$0.03**

6 *Restated for change in inventory accounting policy.*

As an oilfield services company, our activity levels are related to the exploration and development spending of our customers, with the whole industry's activity levels 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. There is greater demand for drilling services in the winter season when the occurrence of freezing permits the movement and operation of heavy equipment. However, if unseasonably warm weather prevents sufficient freezing, our drilling rigs may not be able to access well sites creating unpredictability in activity and utilization rates in the fourth and first quarters. As well, many wells are fractured with water-based fluid carrying sand that limits the ability to perform fracturing work in temperatures below approximately -25°C. Our fracturing revenue is often volatile in the first and fourth quarters depending on the favourability of weather conditions. Coal bed methane ("CBM") wells 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.

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 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.

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.

Summary of 2005 Quarterly Results

The high crude prices realized in 2004 continued throughout 2005. Industry demand for both our fracturing and drilling rigs remained strong in the first nine months of 2005, with weather acting as a significant lever affecting our equipment utilization and thus our financial results.

Cold weather during parts of January limited our ability to perform fracturing work on non-CBM wells. Warm weather at the end of February and early March caused sporadic spring-breakup like conditions, resulting in less than full utilization of our fracturing and drilling rigs during this period. By the middle of March, road bans were pervasive throughout Alberta and lasted throughout most of April. We were able to keep the equivalent of one fracturing rig working in the Suffield Block in southern Alberta during the road ban period, but were unable to repeat the 2004 spring breakup activity levels when we had the equivalent of up to six rigs (two rigs working 24 hours a day) working in the Suffield Block. Demand was high in May after the spring breakup and weather did not limit our operations, resulting in the highest operating hours ever achieved for the fracturing operations and very profitable drilling operations. In June however, record rainfall and extensive flooding throughout south and central Alberta severely hindered our ability to drill and fracture and resulted in our lowest month of fracturing operating hours since May 2003. The third quarter was less weather dependent, although periods of rain limited work somewhat in August and September. The addition of four drilling rigs during the second and third quarters resulted in increased operating activity and increased revenue.

Despite an increase in revenue in the first three quarters of 2005 versus the first three quarters of 2004, our net income was negatively affected by high overhead costs as we expanded our personnel, infrastructure and systems in preparation for our fleet expansion. Delays in our equipment delivery resulted in high costs without any corresponding revenue. Our profitability is expected to improve once our full fleet expansion is complete.

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 occurred in early March and shut 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 throughout the breakup period, resulting in above average results for April. Despite the early end to spring breakup, excessive rainfall continued throughout May and June and caused sporadic work stoppages and lower than anticipated utilization for both our drilling and fracturing rigs. The rainfall continued into the third quarter as parts of southern Alberta experienced their wettest year in over half a century, only to be exceeded again in 2005. The wet weather limited both the drilling and fracturing activity for a portion 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 ongoing retrofits. Dry and moderate winter weather in the fourth quarter of 2004 produced ideal weather conditions for both our drilling and fracturing operations. Our fracturing rigs were able to work consistently throughout November and December, resulting in a strong fourth quarter.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow From Operating Activities

Our funds flow from operations [2] increased by 57% to $3.3 million in the third quarter of 2005 compared to $2.1 million in the third quarter of 2004 even though net income increased by only 9% over the same period. Non-cash expenses such as depreciation, stock-based compensation and future income tax increased by 145% to $1.8 million in the third quarter of 2005 compared to $0.8 million in the third quarter of 2004, reducing our net income without affecting cash flow. These increases in non-cash expenses were similar on a year to date basis with our funds flow from operations [2] increasing by 22% to $6.3 million in the first nine months of 2005 compared to $5.2 million in the first nine months of 2004, in spite of an 18% decrease in net income over the same period. Non-cash expenditures increased by 82% to $2.1 million over the same period.

Cash flow from operating activities (including the net change in non-cash working capital) increased by 131% to $3.6 million in the third quarter of 2005 versus $1.6 million in the third quarter of 2004. This increase is due to the increase in funds flow from operations [2] discussed above, combined with positive impacts on cash flow related to the timing of changes in non-cash working capital items. For the first nine months of 2005, cash flow from operating activities decreased by 59% to $2.0 million versus $4.9 million in the first nine months of 2004. The decrease is primarily due to the payment of income tax installments in the first nine months of 2005.

Cash Flow From Investing and Financing Activities

We ended the third quarter of 2005 with $10.9 million in cash after drawing $11.8 million in net proceeds from our revolving term loan during the quarter. The large draw on our debt facility was required in order to meet a bank covenant with specific wording that was unfavourable to our current situation of having high capital investment accruals without the full benefit of increased working capital from our new rigs. This covenant was modified by the bank subsequent to the quarter end. Our net debt position was $2.6 million at September 30, 2005 despite having $13.5 million of debt outstanding. As a result, we were in full compliance with all of our existing debt covenants at September 30, 2005.

Our debt proceeds were used to help fund our $9.8 million of capital expenditures in the third quarter of 2005 and our $26.8 million of capital expenditures in the first nine months of 2005.

Proceeds from the exercise of stock options also provided $0.3 million of cash in the third quarter of 2005 and $0.6 million for the first nine months of 2005. As at September 30, 2005, we had 57,458,753 common shares issued and outstanding. We also had 2,540,101 stock options issued and outstanding, 919,763 of which were vested, after issuing 80,000 stock options during the quarter.

Cash Requirements and Resources

Our commitments to build the remaining nine fracturing rigs and an additional six rigs in 2006 are our predominant cash needs. Cash flow from operations and the proceeds from our two private placements in 2004 were sufficient to finance our capital payments until June 2005. In June 2005, we secured a $16.5 million debt facility from our bank and raised our operating line to $2.0 million from $0.2 million. The debt facility included a revolving loan until December 31, 2005, at which time the outstanding indebtedness was to be converted into a 60 month term loan. In October 2005, subsequent to the quarter end, the revolving loan term was extended until February 28, 2006, at which time the outstanding indebtedness will be converted into a 60 month term loan. The debt facility is being used to finance a portion of our capital expansion.

Our contractual obligations at this time relate to debt repayments and to operating leases for vehicles, office equipment 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
Debt repayments	13,500,000	2,025,000	5,400,000	5,400,000	675,000
Operating leases	477,368	78,327	162,475	170,677	65,889
Total Contractual Obligations	13,977,368	2,103,327	5,562,475	5,570,677	740,889

The majority of capital expenditures remaining for our rigs currently under construction and for our estimated $15 million of capital expenditures relating to our rigs to be constructed in 2006 have been committed under contracts or pending contracts and agreements to suppliers. The amounts were not included in the table above as payment is dependent on delivery of the operating equipment ordered.

We believe that our debt levels are still reasonable and that we have sufficient liquidity to operate our business and execute our strategic plan for the foreseeable future.

OUTLOOK AND FUTURE RISKS

As an oilfield services company, we are dependent on the capital spending of our customers, with the whole oil and gas industry largely influenced by the current and anticipated future crude oil and natural gas prices. Crude oil and natural gas prices continued to set new record highs throughout the third quarter of 2005 as hurricane damage throughout the southern United States resulted in refinery shutdowns and further restricted supply levels. At some point, oil prices may increase to a level that will hinder global economic growth and thus prices will subside. However, at what level and the timing of when this pricing level will be reached is unknown. In the meantime, we anticipate that high prices will mean high capital spending by our customers, which should result in a ready market for our new rigs coming into service this year and in 2006.

We completed the construction of our final two coil drilling rigs in the third quarter of 2005, bringing our drilling fleet total to six rigs. In July 2005, one of our newly constructed drilling rigs suffered extensive damage during transport by a third party carrier. The rig was removed from service in early July and returned to field operations on October 11. The repair costs will be reimbursed by insurance proceeds, however the rig did not carry loss of use insurance.

Our 2005 capital plan included the construction of 11 fracturing rigs. As of November 10, 2005, two of our 11 new fracturing rigs have been completed with an additional two rigs scheduled for delivery by November 15, 2005, approximately two weeks behind schedule. The remaining seven rigs are currently being constructed and are scheduled for delivery throughout the fourth quarter, however, it now appears that due to delays by our third party manufacturers, one or two of the rigs may not be delivered until January 2006.

In September 2005, we announced our plans to construct a further six coil fracturing rigs in 2006. These rigs are scheduled for completion in the second half of 2006.

We believe the demand for both coil drilling and coil fracturing rigs is sufficient to support our capital additions, especially with coil drilling and coil well servicing becoming more of a proven alternative to conventional drilling and well servicing. CBM production in western Canada is also quickly becoming more established as a valuable resource to our customers. CBM wells require fracturing, with coil fracturing established as the preferred and most economical method. Our equipment is ideally suited for both the drilling and fracturing of CBM wells. In the first quarter of 2005, we revised a previous operating agreement with one of our customers to give our customer the right of first refusal on twelve of our fracturing rigs by the end of 2005. This agreement is partially in response to the growth of CBM, and should help to facilitate high utilization for our new fracturing rigs over the term of the agreement.

Our long-term vision is to create shareholder value through growth, as we increase our profitability by capturing efficiencies. The addition of our new rigs currently in progress is the first step in our strategic plan to create shareholder value. Management also believes that the addition of a third product line would be beneficial in order to facilitate further growth, and will evaluate opportunities for acquisition or organic growth as they arise.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

As at		September 30, 2005	December 31, 2004
		(unaudited)	
Assets			
Current assets:			
Cash and cash equivalents		$ 10,927,073	$ 15,807,019
Accounts receivable		5,269,368	3,744,809
Income taxes receivable		503,034	–
Inventory		895,079	292,096
Prepaid expenses		438,090	201,324
		18,032,644	20,045,248
Capital assets under construction		16,905,423	12,659,255
Capital assets		44,635,552	24,233,226
		$ 79,573,619	$ 56,937,729
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 10,813,590	$ 4,649,352
Income taxes payable		–	1,768,984
Current portion of long-term debt	*(note 3)*	2,025,000	–
		12,838,590	6,418,336
Contingencies	*(note 6)*		
Long-term debt	*(note 3)*	11,475,000	–
Future income taxes		4,139,938	3,291,473
		28,453,528	9,709,809
Shareholders' equity			
Share capital	*(note 4)*	38,256,143	37,572,585
Contributed surplus		978,723	317,849
Retained earnings		11,885,225	9,337,486
		51,120,091	47,227,920
		$ 79,573,619	$ 56,937,729

(See accompanying notes to the consolidated financial statements)

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Three months ended September 30		Nine months ended September 30	
(unaudited)	**2005**	2004	**2005**	2004
Coil tubing service and drilling revenue	**$ 10,699,360**	$ 6,598,166	**$ 24,011,794**	$ 17,211,911
Operating expenses	**6,390,229**	3,689,076	**15,257,616**	9,963,323
Gross margin	**4,309,131**	2,909,090	**8,754,178**	7,248,588
General and administrative expenses	**899,492**	296,799	**2,381,508**	1,051,190
Bad debt recovery	**–**	(9,191)	**–**	(89,220)
Depreciation	**940,626**	540,717	**2,164,115**	1,531,176
Loss (gain) on sale of capital assets	**–**	4,521	**(8,233)**	115,618
Interest on long-term debt	**32,751**	–	**33,717**	143,345
Other interest expense (revenue)	**8,744**	(29,507)	**(94,534)**	(48,759)
Foreign exchange (gain) loss	**(2,922)**	6,861	**50,744**	(31,241)
Net income before income tax	**2,430,440**	2,098,890	**4,226,861**	4,576,479
Income tax expense				
Current	**395,576**	559,845	**830,657**	1,147,492
Future	**556,951**	178,955	**848,465**	328,569
	952,527	738,800	**1,679,122**	1,476,061
Net income for the period	**1,477,913**	1,360,090	**2,547,739**	3,100,418
Retained earnings, beginning of period	**10,407,312**	6,348,366	**9,337,486**	4,608,038
Retained earnings, end of period	**$ 11,885,225**	$ 7,708,456	**$ 11,885,225**	$ 7,708,456
Earnings per share (note 5)				
Basic	**$ 0.03**	$ 0.03	**$ 0.04**	$ 0.07
Diluted	**$ 0.03**	$ 0.03	**$ 0.04**	$ 0.07

(See accompanying notes to the consolidated financial statements)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended September 30		Nine months ended September 30	
(unaudited)	**2005**	2004	**2005**	2004
Cash provided by (used in):				
Operating activities:				
Net income for the period	**$ 1,477,913**	$ 1,360,090	**$ 2,547,739**	$ 3,100,418
Add (deduct) non-cash items:				
Depreciation	**940,626**	540,717	**2,164,115**	1,531,176
Loss (gain) on sale of capital assets	**–**	4,521	**(8,233)**	115,618
Stock-based compensation expense	**320,721**	25,932	**665,944**	77,797
Non-cash Director compensation	**22,560**	–	**71,250**	–
Future income tax	**556,951**	178,955	**848,465**	328,569
Funds flow from operations	**3,318,771**	2,110,215	**6,289,280**	5,153,578
Net change in non-cash working capital	**324,287**	(531,973)	**(4,274,019)**	(257,598)
Cash flow from operating activities	**3,643,058**	1,578,242	**2,015,261**	4,895,980
Financing activities:				
Common shares issued	**330,000**	29,066	**607,238**	11,043,066
Share issue costs	**–**	–	**–**	(731,384)
Net proceeds from revolving long- term debt	**11,800,000**	–	**13,500,000**	–
Repayment of long-term debt	**–**	–	**–**	(4,200,829)
Cash flow from financing activities	**12,130,000**	29,066	**14,107,238**	6,110,853
Investing activities:				
Acquisition of capital assets	**(9,812,754)**	(6,184,631)	**(26,829,376)**	(8,328,690)
Proceeds on sale of capital assets	**–**	29,344	**25,000**	105,344
Net change in non-cash working capital from the purchase of capital assets	**4,809,436**	(253,515)	**5,801,931**	(265,442)
Cash flow from investing activities	**(5,003,318)**	(6,408,802)	**(21,002,445)**	(8,488,788)
Net increase (decrease) in cash and cash equivalents	**10,769,740**	(4,801,494)	**(4,879,946)**	2,518,045
Cash and cash equivalents, beginning of period	**157,333**	9,960,075	**15,807,019**	2,640,536
Cash and cash equivalent, end of period	**$ 10,927,073**	$ 5,158,581	**$ 10,927,073**	$ 5,158,581
Cash interest paid	**$ 35,844**	$ –	**$ 35,844**	$ 99,889
Cash income taxes paid	**$ 564,000**	$ 30,000	**$ 3,103,401**	$ 196,292

(See accompanying notes to the consolidated financial statements)

Notes to the Consolidated Financial Statements

SEGMENTED INFORMATION *(000's)*

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 well fracturing and drilling segments.

	Three months ended September 30, 2005			Three months ended September 30, 2004		
$000's	**Servicing**	**Drilling**	**Total**	Servicing	Drilling	Total
Revenue from external customers	**5,476**	**5,223**	**10,699**	4,785	1,813	6,598
Operating costs	**2,791**	**3,599**	**6,390**	2,392	1,297	3,689
Gross margin	**2,685**	**1,624**	**4,309**	2,393	516	2,909
Non-operating costs			**2,831**			1,549
Net income			**1,478**			1,360

	Nine months ended September 30, 2005			Nine months ended September 30, 2004		
$000's	**Servicing**	**Drilling**	**Total**	Servicing	Drilling	Total
Revenue from external customers	**14,685**	**9,326**	**24,011**	12,011	5,201	17,212
Operating costs	**8,116**	**7,141**	**15,257**	6,178	3,785	9,963
Gross margin	**6,569**	**2,185**	**8,754**	5,833	1,416	7,249
Non-operating costs			**6,206**			4,149
Net income			**2,548**			3,100

	As at September 30, 2005			As at September 30, 2004		
$000's	**Servicing**	**Drilling**	**Total**	Servicing	Drilling	Total
Capital assets under construction	**16,678**	**227**	**16,905**	925	5,048	5,973
Capital assets:						
Rigs and equipment	**10,008**	**32,901**	**42,909**	10,216	12,859	23,075
Shared assets			**1,727**			1,376
			44,636			24,451