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TECHNICOIL CORPORATION ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 2007

This news release contains forward-looking information within the meaning of applicable securities laws. Forward-looking information may include estimates, plans expectations, forecasts, guidance or other statements that are not statements of fact. Such information, although considered reasonable by Technicoil Corporation (“Technicoil” or the “Corporation”) at the time of preparation is subject to certain risks and uncertainties and 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. The Corporation does not undertake an obligation to update its forward-looking statements except as required by law.

SUMMARY

(\$ thousands except per share data) (unaudited)	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Number of rigs owned as at June 30	24	24	24	24
Average number of rigs available during the period	24.0	24.0	24.3	23.4
Revenue	\$2,175	\$6,281	\$15,171	\$23,953
Gross margin	\$(805)	\$1,211	\$4,040	\$9,474
Gross margin %	(37%)	19%	27%	40%
General and administrative expenses	\$894	\$1,070	\$1,825	\$2,221
EBITDA (1)	\$(1,676)	\$171	\$3,095	\$7,280
Net income	\$(2,451)	\$(272)	\$(835)	\$3,244
Earnings per share – basic	\$(0.04)	\$0.00	\$(0.01)	\$0.06
Earnings per share – diluted	\$(0.04)	\$0.00	\$(0.01)	\$0.06
Funds flow from operations (2)	\$(28)	\$1,307	\$3,431	\$7,202
			June 30, 2007	December 31, 2006
Total assets			\$86,113	\$92,387
Long-term financial liabilities			\$14,116	\$16,850
Debt to equity ratio (3)			0.45	0.54

- (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 Corporation’s principal business activities prior to consideration of how these activities are financed, taxed or depreciated. Prior to the third quarter of 2006, the Corporation excluded gain/losses on the sale of assets, foreign exchange and interest income from its calculation of EBITDA. During the third quarter of 2006, the Corporation amended its calculation of EBITDA to include these items, which is consistent with industry practice. For consistency, comparative numbers have been restated accordingly.
- (2) Funds flow from operations is defined as cash from operating activities before changes in non-cash working capital. Funds flow from operations are measures that provide investors additional information regarding the Corporation’s liquidity and its ability to generate funds to finance its operations. Funds flow from operations do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.
- (3) Debt to equity ratio is defined as total liabilities, including current liabilities, long-term 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.

HIGHLIGHTS

While the industry dynamics have certainly been challenging over recent quarters, management is pleased that the Corporation has been able to manage its costs and financial position, which has allowed the Corporation to successfully negotiate and complete the acquisition of Storm Service Rigs Inc. ("Storm") on August 1, 2007, for total consideration of \$24.3 million, excluding transaction costs. This acquisition provides Technicoil with seven operational conventional service rigs with an eighth rig currently under construction. The addition of these rigs and business operations provides Technicoil with an expanded service offering and diversifies Technicoil's operations beyond its traditional shallow natural gas operations. Through the consistent positive financial returns and high equipment utilization experienced by Storm's conventional service rigs, this acquisition not only improves Technicoil's financial position in the short term, but also provides Technicoil with a strategic opportunity to enhance the utilization of the Corporation's existing coiled tubing service rigs by leveraging off the expertise and customer relationships provided by Storm's personnel and business operations.

During the quarter, Technicoil preserved its financial and operational strength that has been built up over the Corporation's long history of generating positive funds flow from operations. Technicoil effectively broke-even on funds flow from operations in the quarter and exited the quarter in a strong financial position with \$5.1 million in positive working capital, excluding the current portion of long-term debt, and \$14.4 million in total long-term debt, which is \$6.1 million less than the total long-term debt balance outstanding at March 31, 2007. These results were achieved in an environment where there was a 41% decline in industry drilling activity during the quarter versus the second quarter of 2006. The slow down in drilling activity over the recent quarters has also impacted the level of well completions in the industry, which saw a 35% decline in the number of wells completed by the industry in the quarter versus the second quarter of 2006 (source: Daily Oil Bulletin).

This decline in industry activity coincided with the traditional seasonal slow down experienced in the Western Canadian Sedimentary Basin ("WCSB") caused by spring breakup. This slow down in activity was further exasperated by heavy spring snowfalls in southern Alberta and unusually high rainfall experienced during the month of June. These factors combined to create wet ground conditions for the majority of the quarter preventing equipment from moving onto well lease locations. The decline in activity levels in the industry, combined with increased competitive pricing pressures, caused Technicoil's revenue to decline to \$2.2 million in the quarter versus \$6.3 million in the second quarter of 2006.

The Corporation used the slow second quarter as an effective time to complete its annual spring maintenance and employee training activities. With the lower revenue generated during the quarter combined with these annual maintenance and training expenditures, gross margin declined to a loss of \$0.8 million from a positive gross margin of \$1.2 million generated in the second quarter of 2006 which experienced higher industry activity levels. This lower gross margin caused EBITDA to decline to a loss of \$1.7 million during the quarter versus a positive EBITDA of \$0.2 million generated in the second quarter of 2006. A \$0.2 million decrease in general and administrative expenses in the quarter helped to mitigate the impact on EBITDA of the \$2.0 million decline in gross margin. Higher depreciation and interest costs in the quarter also negatively impacted net income which declined to a loss of \$2.5 million, or \$0.04 per share, versus a loss of \$0.3 million, or \$0.00 per share, in the second quarter of 2006.

Net income excludes the positive impact of the anticipated gain from the sale of the Corporation's final body-style rig which was announced in the first quarter of 2007. Due to cash flow constraints of the purchaser, delivery of this rig did not occur in the second quarter as expected. Technicoil is currently discussing possible payment options with the purchaser. The sale of this rig will be recorded in Technicoil's financial statements once such payment terms have been negotiated and payments are received. To date, Technicoil has received \$0.7 million in proceeds on this rig, with a further \$0.9 million left to be received. The proceeds received to date are in the form of a non-refundable deposit, therefore, if the final sale cannot be concluded, Technicoil will retain the initial deposit and seek an alternative purchaser for the rig.

On a year to date basis, revenue has decreased to \$15.2 million versus \$24.0 million generated in the first six months of 2006. This decrease is due to the impact of lower industry activity levels that have occurred in the WCSB subsequent to the first quarter of 2006. These lower activity levels have negatively impacted equipment utilization in the industry which has created a more competitive pricing environment. While activity levels and revenues have declined, management continues to focus on maintaining a flexible cost structure, which has allowed the Corporation to generate \$4.0 million in gross margin, \$3.1 million in EBITDA and \$3.4 million in funds flow from operations year to date. Gross margin as a percentage of revenue is 27% year to date versus 40% in the first six months of 2006. The first six months of 2006 benefited from record industry activity levels in the first quarter which produced high equipment utilization and strong revenue rates. These two factors created a positive environment for strong revenue and gross margins in the first half of 2006 which were not experienced in the first half of 2007.

Year to date, Technicoil has generated a net loss of \$0.8 million, or \$0.01 per share, versus net income of \$3.2 million, or \$0.06 per share, in the first six months of 2006. The decline in net income is due to a combination of the lower activity levels discussed above and increased depreciation and interest expense related to the \$12.3 million in new equipment additions that have occurred since June 30, 2006. The first six months of 2007 and 2006 also individually benefited from two unique one-time items. In the first quarter of 2007, Technicoil recognized a \$0.8 million gain on sale of assets related to the sale of one of the Corporation's original body-style rigs and the first six months of 2006 benefited from a \$0.9 million one-time future income tax recovery related to a reduction in corporate income tax rates enacted in the second quarter of 2006. The impact on net income in each quarter is relatively consistent.

RESULTS OF OPERATIONS

WELL SERVICING OPERATIONS

<i>Three months ended June 30 (\$ thousands) (unaudited)</i>	2007	2006	Variance	% Change
Service revenue	\$1,205	\$3,061	\$(1,856)	(61%)
Operating expenses	1,438	2,377	(939)	(40%)
Gross margin	\$(233)	\$684	\$(917)	(134%)
Gross margin %	(19%)	22%	(41%)	(186%)
Utilization %	5%	13%	(8%)	(62%)
Average number of rigs available during the period	18.0	18.0	0.0	0%
Number of wells completed	132	279	(147)	(53%)
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<i>Six months ended June 30 (\$ thousands) (unaudited)</i>	2007	2006	Variance	% Change
Service revenue	\$7,420	\$10,351	\$(2,931)	(28%)
Operating expenses	5,132	6,410	(1,278)	(20%)
Gross margin	\$2,288	\$3,941	\$(1,653)	(42%)
Gross margin %	31%	38%	(7%)	(18%)
Utilization %	15%	24%	(9%)	(38%)
Average number of rigs available during the period	18.3	17.4	0.9	5%
Number of wells completed	744	849	(105)	(12%)

During the quarter, the Corporation completed services on 132 wells versus 279 wells in the second quarter of 2006. While the second quarter is traditionally the industry's slowest quarter due to spring breakup, this trend was compounded in the quarter by wet ground conditions caused by heavy spring snowfall and high rainfall in June. With the Corporation averaging 1.7 wells per operating day during the quarter, this loss of days due to weather delays was a significant contributing factor to the decline in wells completed in the quarter.

The operational efficiencies of Technicoil's mastered coiled tubing service rigs has allowed the Corporation to increase the average wells completed to 1.7 per rig day from the 1.3 wells per rig day achieved in the second quarter of 2006. This efficiency has allowed the Corporation's customers to save money on their well completion costs. This increased efficiency also allows Technicoil to reduce its operating costs per well as fixed daily operating costs are spread over a larger well base.

As a result of the lower activity levels during the quarter, revenue declined to \$1.2 million versus \$3.1 million in the second quarter of 2006. This represents a 61% decline which was 8% higher than the 53% decline in the number of wells completed. The remaining 8% decline is due to a combination of price reductions which have been implemented since the second quarter of 2006 and an increase in the average number of multi-well days during the quarter. Certain contracts provide for reduced rates for wells completed beyond the first well in a day. Overall the average revenue rate per well declined to \$9,129 in the quarter from \$10,971 in the second quarter of 2006.

With the decline in activity during the quarter, the Corporation took this opportunity to complete its annual spring maintenance programs and complete various annual employee training sessions. These initiatives will allow Technicoil's equipment and staff to continue to perform at their high efficiency and safety levels as field activity increases subsequent to the second quarter. During the quarter, Technicoil incurred approximately \$0.2 million in annual spring maintenance expenditures and approximately \$0.1 million in employee training costs. These costs, combined with the lower revenue generated in the quarter, caused gross margin to decline to a loss of \$0.2 million versus the positive gross margin of \$0.7 million generated in the second quarter of 2006.

Year to date, the service division has generated \$7.4 million in revenue versus \$10.4 million in the first six months of 2006. As discussed above, lower industry activity levels combined with decreased average well rates have accounted for the decline in revenue. On a year to date basis, the average revenue rate has been \$9,973 per well versus \$12,192 in the first six months of 2006. Average revenue rates were higher in 2006 due to higher base revenue rates and less multi-well days in the first six months than the first six months of 2007. Year to date Technicoil has averaged 1.5 wells per day versus 1.1 in the first six months of 2006.

The lower activity and decreased pricing has caused gross margin in Technicoil's well servicing division to decrease to \$2.3 million versus \$3.9 million in the first six months of 2006. However, strong cost control and continued operational efficiency has allowed the service division to maintain a respectable 31% gross margin as a percentage of revenue year to date versus 38% in the comparative period in 2006, despite the 18% decline in average revenue rates during the period. The majority of the division's operating costs are variable as field labor costs are incurred on an operating hour or day basis. Year to date, fixed costs in the division have amounted to \$1.3 million, which is consistent with the comparative period in 2006.

DRILLING OPERATIONS

<i>Three months ended June 30 (\$ thousands) (unaudited)</i>	2007	2006	Variance	% Change
Drilling revenue	\$970	\$3,220	\$(2,250)	(70%)
Operating expenses	1,542	2,693	(1,151)	(43%)
Gross margin	\$(572)	\$527	\$(1,099)	(209%)
Gross margin %	(59%)	16%	(75%)	(469%)
Utilization %	12%	25%	(13%)	(52%)
Average number of rigs available during the period	6.0	6.0	0.0	0%
Number of wells completed	21	56	(35)	(63%)

<i>Six months ended June 30 (\$ thousands) (unaudited)</i>	2007	2006	Variance	% Change
Drilling revenue	\$7,751	\$13,602	\$(5,851)	(43%)
Operating expenses	5,999	8,069	(2,070)	(26%)
Gross margin	\$1,752	\$5,533	\$(3,781)	(68%)
Gross margin %	23%	41%	(18%)	(44%)
Utilization %	34%	56%	(22%)	(39%)
Average number of rigs available during the period	6.0	6.0	0.0	0%
Number of wells completed	101	214	(113)	(53%)

The number of wells drilled in the WCSB as reported on a rig released basis was down by approximately 41% on a quarter over quarter basis. The 1,415 development wells drilled by the industry in the quarter is the lowest number since the second quarter of 1999 and the 321 exploratory wells drilled in the quarter is the lowest in the past 14 years (source: Daily Oil Bulletin). Other than a brief period of dry weather in the middle of May, wet ground conditions during the quarter curtailed Technicoil's field activity levels. Technicoil's 12% utilization achieved during the quarter was slightly below the 17% industry utilization achieved during the quarter (source: CAODC).

Continuing on from the success of the Corporation's first quarter diversification initiative into heavy oil, Technicoil had one rig operating during the quarter drilling heavy oil wells for a new customer. The wet weather limited the amount of heavy oil work that could be performed during the quarter, however, in July this rig returned to the field and began work again for the same customer that utilized the rig in the first quarter. Due to the success of these projects, other customers have expressed interest in using Technicoil's rigs to complete their heavy oil drilling projects.

As a result of the lower activity levels, the drilling division's revenue declined to \$1.0 million in the quarter versus \$3.2 million in the second quarter of 2006. The lower industry activity levels also caused Technicoil's average base drilling revenue rates to decline by approximately 23%. In addition to this decline in average base rates, \$0.1 million in credits were issued to customers for first quarter work and less ancillary revenue items such as standby, fuel and trucking was incurred in the quarter which caused Technicoil's total average day rate to decline to \$14,923 in the quarter versus \$23,676 in the second quarter of 2006. Excluding the impact of the invoice credits, Technicoil's total average day rate would have been \$16,025. The second quarter of 2006 benefited from abnormally high base day rates due to the heated industry activity levels from the first quarter of 2006 as well as higher than normal ancillary revenue items related to trucking charges to move rigs back to base locations following the busy first quarter of 2006.

Consistent with the well servicing division, the Corporation completed its annual spring maintenance and employee training activities during the quarter. During the quarter Technicoil incurred approximately \$0.2 million in annual spring maintenance expenditures and approximately \$0.1 million in employee training costs. These annual costs, combined with the lower revenue, generated in the quarter caused gross margin to decline to a loss of \$0.6 million versus the positive gross margin of \$0.5 million generated in the second quarter of 2006.

On a year to date basis, industry activity levels have been lower than the first six months of 2006 which benefited from record drilling activity levels in the first quarter of 2006. Technicoil's average utilization of 34% over the first six month of 2007 is consistent with the 37% industry utilization average in the same period (source: CAODC). As a result of the lower industry activity levels, competitive pricing pressures have caused Technicoil's total average revenue per day to decline to \$20,892 versus \$22,335 in the comparative period in 2006. The lower activity and revenue rates have caused Technicoil's year to date revenue to decline by 43% to \$7.8 million versus \$13.6 million in the first six months of 2007. This 43% decline in revenue is less than the Corporation's 53% decline in wells drilled during the same period. This is due to an increase in the number of operating days per well in the period as the Corporation's diversification into heavy oil and northern locations during the first quarter of 2007 has increased Technicoil's exposure into more complex wells, which benefits Technicoil's overall equipment utilization as these wells tend to take more time to drill.

The lower activity and decreased pricing has caused gross margin in Technicoil's drilling division to decrease to \$1.8 million versus \$5.5 million in the first six months of 2006. Gross margin as a percentage of revenue has declined to 23% year to date versus 41% in the comparative period in 2006. Part of this decline relates to the 6% decline in average pricing per operating day during the period, with the remaining decline related to fixed costs becoming a higher portion of the division's operating costs due to the reduced field activity and the spring maintenance costs being spread over a smaller revenue base. Year to date, fixed costs in the drilling division have amounted to \$0.6 million versus \$0.5 million in the first six months of 2006.

General and Administrative Expenses

General and administrative expenses decreased to \$0.9 million in the quarter versus \$1.1 million in the second quarter of 2006. The decline is due to a \$0.2 million decrease in stock based compensation expense as the majority of the compensation expense related to the Corporation's options granted prior to May 2006 has previously been amortized into income. Compensation expense for the Corporation's options granted subsequent to May 2006 is only recognized when Technicoil's share price exceeds the exercise price of the options granted. General and administrative costs were also \$0.1 million lower in the quarter versus the second quarter of 2006 due to lower variable compensation accruals being made in the quarter and no consulting costs being incurred due to the Corporation's completion of its compliance efforts for Multilateral Instrument 52-109 ("CSox"). These cost savings were offset by a combination of higher board compensation costs and higher marketing and promotion costs related to the Corporation's increased marketing efforts.

The above factors have also contributed to the year to date decline in general and administrative expenses to \$1.8 million from \$2.2 million in the first six months of 2006. Stock based compensation expense is \$0.4 million lower in the first six months of 2007 versus 2006. In addition, the Corporation has managed its CSox compliance internally year to date versus incurring \$0.1 million in external consulting costs in the first six months of 2006 to initially implement CSox in 2006. These cost savings were partially offset by the items discussed above for the second quarter as well as increased legal costs related to the Corporation's ongoing legal proceedings.

Year to date, general and administrative expenses as a percentage of revenue has averaged 12% versus 9% in the first six months of 2006. This increase is due to the decline in revenue in 2007.

Depreciation

Depreciation expense increased to \$1.9 million in the quarter versus \$1.6 million in the second quarter of 2006. This increase is a result of the increase in depreciable assets from the Corporation's \$12.3 million in capital expenditures made subsequent to the second quarter of 2006. Year to date the Corporation's depreciation expense is \$3.9 million versus \$3.0 million in the first six months of 2006. This increase is due to the increase in depreciable assets as well as \$0.3 million in additional depreciation being recorded in the first quarter due to the write-off of two mud pumps which were damaged beyond repair during the quarter. These pumps have since been replaced by new equipment.

Interest and Taxes

The Corporation incurred \$0.3 million of interest expense in the quarter versus \$0.2 million in the second quarter of 2006 as the Corporation drew upon its available debt facilities to fund its 2006 and 2007 capital additions. While interest expense increased over the second quarter of 2006, the \$0.3 million is less than the \$0.4 incurred in the first quarter of 2007. This decrease in interest expense is due to the Corporation amending its long-term debt facilities in the quarter to a \$21.0 million committed revolving facility versus its previous term loans. This new revolving facility provides the Corporation with the ability to better manage its debt facilities by allowing the Corporation to apply excess cash balances against its debt facilities while still retaining the ability to draw upon the facility when the need arises. Year to date the Corporation's interest expense is \$0.7 million versus \$0.4 million in the first six months of 2006.

The Corporation's effective tax rate recovery during the quarter was 36% versus the statutory rate of 32%. This higher recovery was due to finalization of the Corporation's 2006 corporate tax return and the carry back of the Corporation's 2006 taxable loss to 2004 and 2005 which had higher statutory tax rates. The Corporation's effective tax rate recovery year to date is 45% which is higher than the statutory rate due to a combination of the items discussed above as well as less tax being paid on capital gains associated with the sale of assets in the first quarter as these capital gains attract lower tax rates.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation ended the quarter with \$5.1 million in positive working capital, excluding the current portion of long-term debt, and reduced its total long-term debt by \$6.1 million to \$14.4 million from \$20.5 million at March 31, 2007. These results also compare favourably to the \$11.5 million in positive working capital and \$21.8 million in total long-term debt that existed as at December 31, 2006. The Corporation's improved financial position has been achieved despite the lower activity levels being experienced in 2007 and the incurrence of \$4.4 million in capital expenditures year to date. These capital expenditures and debt reductions have been financed through the generation of \$3.4 million in positive funds flow from operations year to date, the receipt of \$1.9 million in proceeds from the sale of one of the Corporation's original body-style service rigs in the first quarter and the receipt of a \$0.7 million deposit on the sale of the Corporation's last remaining body-style service rig.

Despite the decline in activity levels in the second quarter and increased costs in the quarter from the Corporation's annual spring maintenance program and staff training initiatives, Technicoil effectively broke-even on funds flow from operations for the quarter which demonstrates the Corporation's ability to maintain its financial strength. Management believes Technicoil's financial position will continue to improve as the Corporation generates positive funds flow from operations subsequent to the second quarter.

Property, plant and equipment expenditures for the quarter were \$2.1 million primarily related to the construction of Technicoil's seventh drilling rig. Due to low industry activity levels, the Corporation has chosen to delay construction of the rig and it is now scheduled to be completed late in the third quarter or early fourth quarter of 2007.

Technicoil currently anticipates incurring approximately \$6.0 million in capital expenditures in 2007, of which \$4.0 million relates to the completion of the seventh drilling rig, \$1.4 million in carryover of miscellaneous 2006 capital projects and the remaining \$0.6 million is normal recurring capital maintenance expenditures.

During the quarter, the Corporation also renegotiated its two existing term loan credit facilities and converted these two term loan facilities into one \$21.0 million revolving loan facility. This new facility is a 364 day committed revolving term facility, renewable annually. If the facility is not renewed, it converts into a two year term loan with a four year amortization. At the end of the two year term, the outstanding balance can either be repaid in full or negotiated for an additional term extension. This new revolving facility provides management with the ability to better manage the Corporation's debt and cash resources as excess cash can be applied against the Corporation's outstanding debt balance without losing the ability to draw upon the facility in the future when required.

The financial terms of this facility are similar to the Corporation's previous debt facilities which allow the Corporation to borrow by either floating prime rate based advances or through Bankers' Acceptances in Canadian dollars. Depending on certain financial ratios, this facility bears interest at the bankers' prime plus 0.00% to 0.75% or the bankers' acceptance rate plus a stamping fee of 1.25% to 2.25%.

Proceeds from the exercise of stock options provided nominal cash inflows in the quarter. As at June 30, 2007, the Corporation had 57,890,187 common shares issued and outstanding. The Corporation also had 3,114,667 stock options issued and outstanding of which 1,847,664 were vested. No new stock options have been issued subsequent to June 30, 2007.

SUBSEQUENT EVENT

On August 1, 2007, Technicoil completed the acquisition of the outstanding shares of Storm Service Rigs Inc. ("Storm"), a privately held service rig company, for total consideration of \$24.3 million of which \$8.1 million was cash, \$12.3 million was through the issuance of 13,871,994 shares and \$3.9 million through the assumption of Storm's outstanding long-term debt. The principal assets acquired in this transaction were seven complete and operational service rigs with an eighth service rig under construction and scheduled to be completed in the fourth quarter of 2007. The service rigs being acquired are all recently constructed conventional units, with the oldest rig being constructed in 2004. The operations of Storm are primarily in Alberta, however, the rigs are capable of operating throughout the WCSB. Technicoil plans to operate the acquired service rigs as part of its existing field service operations.

This acquisition provides Technicoil with a significant diversification opportunity as Storm's rigs are used in areas outside of shallow natural gas, which is the core arena of operation for Technicoil's existing coiled tubing service rigs. In addition to the revenue generated from Storm's existing business operations, management believes that this acquisition provides Technicoil with a strategic opportunity to enhance the utilization of Technicoil's existing coiled tubing service rigs by leveraging off of the expertise and customer relationships provided by Storm's personnel and business operations.

Based upon the aggregate consideration paid, Technicoil believes that the acquisition is being executed for a price of approximately four times normalized run rate EBITDA. The year to date utilization of the seven service rigs has averaged 77% with the current utilization being 100%. As a result of these high utilization levels, Storm has been able to consistently generate strong EBITDA results which will further strengthen Technicoil's financial position in both the short and long term.

Storm was amalgamated with Technicoil effective August 1, 2007, and the operations and financial results related to the Storm business will be included in Technicoil's results effective August 1, 2007.

The cash consideration to be paid to conclude the acquisition will be funded through a \$10.0 million acquisition line from the Corporation's existing lender, the National Bank of Canada. The financial terms of this line are the same as those under Technicoil's existing revolving long-term debt facility.

RELATED PARTY TRANSACTION

As part of the Storm transaction discussed above, Technicoil issued, directly or indirectly, a total of 1,930,552 common shares and \$1.1 million in cash to two board members and one non-executive officer of the Corporation who were Storm shareholders, with one individual being a director of Storm. The consideration received by these individuals was determined on the same basis as that provided to other Storm shareholders. These individuals were excluded from any of the transaction negotiations by both Technicoil and Storm. In order to ensure independence, this transaction was negotiated by management and Technicoil's Special Committee which included each of Technicoil's independent board members.

RISKS AND UNCERTAINTIES

A complete discussion of the business risks faced by the Corporation can be found in Technicoil's annual report for the year ended December 31, 2006, and the Corporation's Annual Information Form dated March 14, 2007, both of which are available on SEDAR.

OUTLOOK

While natural gas prices have declined in response to continued high storage levels, a number of customers appear to be taking advantage of the favourable drilling and well servicing prices being offered in the industry and are choosing to continue their drilling and well servicing capital programs and, in some cases, expand these programs. However, while utilization levels may increase, the pricing being received for these services are generally 10% to 20% lower than the prices enjoyed in early 2006. Prices have essentially returned to the levels experienced in 2005, however, operating costs have escalated 5% to 10% each year subsequent to 2005, therefore, margins have contracted throughout the industry. As a result, the margins enjoyed by the industry in late 2005 and early 2006 will likely be unattainable for the foreseeable future. To maintain Technicoil's margins and possibly improve upon them in this market, management will continue to aggressively focus on managing the Corporation's overhead and operating costs by reducing any excess costs within the business. Technicoil's low fixed cost and high variable cost structure will be beneficial during the current softness in industry activity levels.

Technicoil's acquisition of Storm will help to mitigate a portion of the impact of this decline in industry activity as Storm's service rigs have an increased exposure to oil service activities versus Technicoil's coiled tubing service rigs which are predominately used in the shallow natural gas arena. While there has been a 19% decline in natural gas wells completed in the WCSB year to date, there has been a 14% increase in the number of oil wells completed (source: Daily Oil Bulletin). This increase in oil activity is in response to the strong oil price that has been experienced throughout 2006 and 2007. The majority of analyst forecasts expect oil prices to remain strong for the foreseeable future. Technicoil is also expanding its exposure to oil through the participation in a number of heavy oil drilling projects. One of the Corporation's drilling rigs is contracted to a customer to complete heavy oil drilling for the remainder of 2007 and into early 2008. Based on the success of Technicoil's drilling program for this customer, a number of additional customers have expressed an interest in obtaining Technicoil's services for their heavy oil projects. Management believes there could be an opportunity to have two or three of the Corporation's drilling rigs operating in heavy oil.

Technicoil's increased exposure in oil related activities will benefit the Corporation during the current decline in natural gas related activities. However, natural gas, and in particular shallow natural gas, is the predominant resource in the WCSB with approximately 65% to 70% of the wells drilled over the last two years being natural gas wells with depths less than approximately 1,100 meters (source: CAODC). Therefore, the continued slow down in natural gas related activities will have a negative impact on the industry and will continue to create challenges for the industry as a whole. With the rapid production decline curves in the WCSB and the United States combined with the reduced drilling currently being experienced in the WCSB, management believes that the long-term supply/demand fundamentals support the eventual recovery of natural gas pricing and a corresponding increase in industry activity levels.

In the meantime, management continues to focus on adapting Technicoil's business to the dynamics of the industry and positioning Technicoil to be able to benefit from the eventual increase in industry activity levels. Management believes Technicoil's fleet of new efficient equipment provides its customers with opportunity to save money on their drilling and servicing needs, therefore, Technicoil's equipment should receive favourable utilization results.

Consolidated BALANCE SHEETS

<i>(Thousands)</i>	June 30, 2007	December 31, 2006
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$1,709	\$3,047
Accounts receivable	2,247	7,774
Income taxes receivable	2,486	1,281
Inventory	2,574	2,489
Prepaid expenses	283	431
	9,299	15,022
Property, plant and equipment	76,814	77,365
	\$86,113	\$92,387
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$4,227	\$3,527
Current portion of long-term debt	300	4,900
	4,527	8,427
Long-term debt	14,116	16,850
Future income taxes	8,110	7,143
	26,753	32,420
Shareholders' equity:		
Share capital	38,622	38,586
Contributed surplus	2,336	2,144
Retained earnings	18,402	19,237
	59,360	59,967
	\$86,113	\$92,387

Consolidated Statements
of
OPERATIONS and RETAINED EARNINGS

<i>(Thousands except per share data) (unaudited)</i>	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Coil tubing service and drilling revenue	\$2,175	\$6,281	\$15,171	\$23,953
Operating expenses	2,980	5,070	11,131	14,479
Gross margin	(805)	1,211	4,040	9,474
General and administrative expenses	894	1,070	1,825	2,221
Depreciation	1,856	1,558	3,935	3,049
Gain on sale of assets	-	-	(843)	-
Interest on long-term debt	305	235	668	382
Other revenue	(23)	(30)	(37)	(27)
Net (loss) income before income tax	(3,837)	(1,622)	(1,508)	3,849
Income tax (recovery) expense:				
Current	(1,851)	(1,119)	(1,640)	251
Future	465	(231)	967	354
	(1,386)	(1,350)	(673)	605
Net (loss) income and comprehensive (loss) income for the period	(2,451)	(272)	(835)	3,244
Retained earnings, beginning of period	20,853	17,157	19,237	13,641
Retained earnings, end of period	\$18,402	\$16,885	\$18,402	\$16,885
Earnings per share				
Basic	\$(0.04)	\$0.00	\$(0.01)	\$0.06
Diluted	\$(0.04)	\$0.00	\$(0.01)	\$0.06

Consolidated Statements
of
CASH FLOWS

<i>(Thousands) (unaudited)</i>	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Cash provided by (used in):				
Operating activities:				
Net (loss) income for the period	\$(2,451)	\$(272)	\$(835)	\$3,244
Add (deduct) non-cash items:				
Depreciation	1,856	1,558	3,935	3,049
Gain on sale of assets	-	-	(843)	-
Stock-based compensation expense	102	252	207	555
Future income tax	465	(231)	967	354
	(28)	1,307	3,431	7,202
Net change in non-cash working capital from operations	6,940	6,988	3,327	621
Cash flow from operating activities	6,912	8,295	6,758	7,823
Financing activities:				
Common shares issued	11	39	21	108
Net (repayment of) proceeds from revolving term loans	(5,700)	3,000	(5,700)	10,500
Repayment of fixed term loans	(409)	(825)	(1,634)	(1,100)
Cash flow from financing activities	(6,098)	2,214	(7,313)	9,508
Investing activities:				
Acquisition of property, plant and equipment	(2,124)	(4,830)	(4,415)	(9,466)
Proceeds on sale of property, plant and equipment	-	-	1,874	5
Net change in non-cash working capital from the purchase of property, plant and equipment	1,154	(3,223)	1,758	(6,363)
Cash flow from investing activities	(970)	(8,053)	(783)	(15,824)
Net (decrease) increase in cash and cash equivalents	(156)	2,456	(1,338)	1,507
Cash and cash equivalents, beginning of period	1,865	2,030	3,047	2,979
Cash and cash equivalent, end of period	\$1,709	\$4,486	\$1,709	\$4,486
Cash interest paid	\$304	\$228	\$623	\$367
Cash income taxes (received) paid	\$(434)	\$225	\$(434)	\$450

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