



TECHNICOIL CORPORATION

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TECHNICOIL CORPORATION ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 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 September 30		Nine months ended September 30	
	2007	2006	2007	2006
Number of rigs owned as at September 30	31	25	31	25
Average number of rigs available during the period	28.7	24.7	25.8	23.8
Revenue	\$11,438	\$10,316	\$26,609	\$34,269
Gross margin	\$4,231	\$4,398	\$8,271	\$13,872
Gross margin %	37%	43%	31%	40%
General and administrative expenses	\$691	\$934	\$2,516	\$3,155
EBITDA (1)	\$3,577	\$4,227	\$6,672	\$11,507
Net income	\$750	\$1,505	\$(85)	\$4,749
Earnings per share – basic	\$0.01	\$0.03	\$0.00	\$0.08
Earnings per share – diluted	\$0.01	\$0.03	\$0.00	\$0.08
Funds flow from operations (2)	\$3,321	\$3,513	\$6,752	\$10,715
			September 30, 2007	December 31, 2006
Total assets			\$116,618	\$92,387
Long-term financial liabilities			\$24,933	\$16,850
Debt to equity ratio (3)			0.61	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, as presented on the Corporation's statement of cash flows. Funds flows 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

During the quarter, Technicoil completed the acquisition of Storm Service Rigs Inc. ("Storm"), which is a significant positive event for Technicoil and its shareholders. This is the first acquisition in Technicoil's history and is an important step in management's focus on broadening the diversification opportunities for the Corporation. The acquisition of Storm provides Technicoil with eight high quality conventional service rigs with the eighth rig having entered the field in November 2007. The addition of these rigs and strong business operations provides Technicoil with a broader service offering and diversifies Technicoil's operations beyond its traditional shallow natural gas operations. The quality of Storm's equipment, personnel and customer relationships is exemplified by the 71% utilization these rigs achieved in the quarter.

In addition to the positive impact of the Storm acquisition, Technicoil continued to make significant strides in expanding its customer base and service offerings within the Corporation's core coiled tubing operations. The combined effect of these initiatives resulted in Technicoil achieving record third quarter revenues. During the quarter, the Corporation generated \$11.4 million in revenue, which is an 11% increase over the \$10.3 million generated in the third quarter of 2006. This improved result was achieved in the midst of a prolonged industry downturn and when charge-out rates for coiled tubing drilling and well servicing having declined approximately 15% to 20% since the third quarter of 2006.

The lower charge-out rates combined, with inflationary cost pressures subsequent to the third quarter of 2006, caused gross margin to decline slightly to \$4.2 million, just \$0.2 million short of the record \$4.4 million generated in the third quarter of 2006. Management's continued focus on maintaining operational efficiencies and eliminating excess costs helped to maintain a strong 37% consolidated gross margin as a percentage of revenue.

These positive results have allowed the Corporation to continue to improve its financial position through the generation of \$3.6 million in EBITDA and \$3.3 million in funds flow from operations in the quarter versus \$4.2 million and \$3.5 million, respectively, in the third quarter of 2006. EBITDA in the third quarter of 2006 benefited from a \$0.7 million gain on the sale of equipment, with no such gain being recorded in the third quarter of 2007. During the third quarter of 2006, the Corporation delivered the first of four coiled tubing service rigs, which were sold to an independent third party in the eastern United States. The delivery of the fourth and final rig is expected to occur before December 31, 2007. Technicoil has received a \$0.7 million non-refundable deposit on the sale of this rig, which will be forfeited by the purchaser if delivery does not take place by December 31, 2007.

Net income for the quarter was \$0.8 million, or \$0.01 per share, versus \$1.5 million, or \$0.03 per share, in the third quarter of 2006. Net income in the third quarter of 2006 benefited from the gain on sale of assets discussed above. In addition, higher depreciation and interest expense costs related to the acquisition of Storm were also incurred in the current quarter.

On a year to date basis, the Corporation has generated \$26.6 million in revenue versus \$34.3 million in the first nine months of 2006. While activity levels and revenue rates have declined, management continues to focus on maintaining a flexible cost structure, which has allowed the Corporation to generate \$8.3 million in gross margin, \$6.7 million in EBITDA and \$6.8 million in funds flow from operations year to date. Gross margin as a percentage of revenue is 31% year to date versus 40% in the first nine months of 2006.

The Corporation's focus on growing its customer base, the expansion of current service offerings and the acquisition of Storm have returned Technicoil to positive financial results in the quarter, which in turn has helped to offset most of the loss incurred in the second quarter of 2007, with year to date net income falling just \$0.1 million short of breakeven. While this is lower than the \$4.7 million in net income earned in the first nine months of 2006, the return to positive financial returns in the quarter shows the underlying strength in Technicoil's business operations during this period of low industry activity.

BUSINESS ACQUISITION

On August 1, 2007, Technicoil completed the acquisition of all of the issued and outstanding shares of Storm, a privately held service rig company, for total consideration of \$24.2 million, of which \$8.1 million was cash, \$12.2 million was through the issuance of 13,871,994 shares of Technicoil 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 that was delivered to the field in November 2007. The service rigs acquired are all recently constructed conventional units, with the oldest rig being constructed in 2004. Storm operates primarily in Alberta, however, the rigs are capable of operating throughout the Western Canadian Sedimentary Basin ("WCSB").

This acquisition broadens Technicoil's well servicing offerings as Storm's rigs are used in areas outside of shallow natural gas, which has been the core area 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.

Storm was amalgamated with Technicoil effective August 1, 2007, and the operations and financial results related to the Storm business have been included in Technicoil's well servicing results effective August 1, 2007.

The cash consideration paid to conclude the acquisition was 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.

RESULTS OF OPERATIONS

WELL SERVICING OPERATIONS

<i>Three months ended September 30 (\$ thousands) (unaudited)</i>	2007	2006	Variance	% Change
Service revenue	\$7,818	\$7,131	\$687	10%
Operating expenses	4,466	3,785	681	18%
Gross margin	\$3,352	\$3,346	\$6	0%
Gross margin %	43%	47%	(4%)	(9%)
Utilization %	34%	27%	7%	26%
Average number of rigs available during the period	22.7	18.7	4	21%
Operating hours	7,089	4,577	2,512	55%
Number of wells completed	600	613	(13)	(2%)
<hr/>				
<i>Nine months ended September 30 (\$ thousands) (unaudited)</i>	2007	2006	Variance	% Change
Service revenue	\$15,238	\$17,482	\$(2,244)	(13%)
Operating expenses	9,598	10,195	(597)	(6%)
Gross margin	\$5,640	\$7,287	\$(1,647)	(23%)
Gross margin %	37%	42%	(5%)	(12%)
Utilization %	22%	25%	(3%)	(12%)
Average number of rigs available during the period	25.2	17.8	7.4	42%
Operating hours	11,996	11,976	20	0%
Number of wells completed	1,344	1,462	(118)	(8%)

As a result of the Storm acquisition during the quarter, the well servicing division achieved its highest revenue and gross margin reported in a quarter. During the quarter the well servicing division generated \$7.8 million in revenue and \$3.4 million in gross margin versus \$7.1 million and \$3.3 million, respectively, in the third quarter of 2006. The addition of Storm's seven conventional service rigs on August 1 contributed \$2.4 million in revenue and \$1.0 million in gross margin for the two months that Technicoil had possession of these rigs during the quarter.

While the division certainly benefited from the addition of the Storm rigs during the quarter, the Corporation was also successful in further expanding its service offerings for the division's coiled tubing service rigs during the quarter. A total of \$1.3 million was generated from non-fracturing revenue sources for the coiled tubing service rigs, representing 23% of the total revenue generated by the coiled tubing service rigs during the quarter. Including the addition of the revenue from the Storm rigs, non-fracturing revenue accounted for \$3.7 million in revenue for the quarter which equates to 47% of the division's total revenue, thus providing a more balanced revenue mix for the division.

Since the first quarter of 2006, the Corporation has concentrated on expanding the service offerings for the division's coiled tubing service rigs, which have been gaining greater market acceptance due to the vast capabilities of these rigs. These services have included well cleanouts, stimulations and perforations, which together have accounted for \$2.0 million of the division's total revenue year to date. During the quarter, one of the division's rigs was used to successfully perform drill out and cleanout work on a number of wells approximately 5,000 meters in measured depth in northern British Columbia. Technicoil's coiled tubing service rigs were chosen for this application due to their high capacity and efficiency.

Despite the continued low level of activity in the industry, utilization of the Corporation's total well servicing rig fleet increased to 34% in the quarter versus 27% in the third quarter of 2006. The majority of this increase related to the addition of the Storm rigs which continue to experience high utilization due to customer demand and the use of these rigs on deeper project work which takes longer to complete than the division's traditional shallow natural gas well fracturing services. In addition, the expansion of the non-fracturing services for the division's coiled tubing rigs also positively impacted utilization as these non-fracturing wells tend to be more complex and take more time to complete. Therefore, while the number of wells completed remained flat quarter over quarter, the increased proportion of non-fracturing well services allowed the division's total operating hours to increase by 55% during the quarter, with 59% of the division's total year to date hours being generated in the quarter.

As a result of the lower industry activity levels, competition for work has increased and pricing for the division's services has come under pressure, in particular for well fracturing services, which has experienced a 15% to 20% price decline in the current year. These price declines have negatively impacted margins in the division, however, diversification beyond well fracturing services and a focus on eliminating excess costs in the division has helped to mitigate some of the lost margin caused by pricing declines. Gross margins were also positively impacted by the addition of the Storm operations as there was no significant increase in overhead costs despite the addition of Storm, therefore the preexisting overhead structure is now being spread over a larger rig fleet. During the quarter, the division generated a 43% gross margin as a percentage of revenue which is nine percent lower than the 47% achieved in the third quarter of 2006.

Year to date the lower industry activity levels and pricing pressures have caused revenue and gross margins to decline to \$15.2 million and \$5.6 million, respectively, versus the \$17.5 million and \$7.3 million generated in the first nine months of 2006. Similar to the discussion above, pricing pressures have caused gross margin as a percentage of revenue to decline. However, continued strong cost control has allowed the division to mitigate some of the margin declines caused by reduced pricing. The majority of the division's operating costs are variable as field labor costs are incurred on an operating hour or day basis. This variable cost structure allows the division to continue to be profitable during the current weakness in activity levels.

DRILLING OPERATIONS

<i>Three months ended September 30 (\$ thousands) (unaudited)</i>	2007	2006	Variance	% Change
Drilling revenue	\$3,620	\$3,185	\$435	14%
Operating expenses	2,741	2,133	608	29%
Gross margin	\$879	\$1,052	\$(173)	(16%)
Gross margin %	24%	33%	(9%)	(27%)
Utilization %	39%	28%	11%	39%
Average number of rigs available during the period	6.0	6.0	0.0	0%
Number of wells completed	69	61	8	13%

<i>Nine months ended September 30 (\$ thousands) (unaudited)</i>	2007	2006	Variance	% Change
Drilling revenue	\$11,371	\$16,787	\$(5,416)	(32%)
Operating expenses	8,740	10,202	(1,462)	(14%)
Gross margin	\$2,631	\$6,585	\$(3,954)	(60%)
Gross margin %	23%	39%	(16%)	(41%)
Utilization %	36%	47%	(11%)	(23%)
Average number of rigs available during the period	6.0	6.0	0.0	0%
Number of wells completed	198	275	(77)	(28%)

Drilling rig utilization for the industry declined to 38% in the quarter versus 57% in the third quarter of 2006 (source: CAODC), which is a 33% decline. Contrary to the trend being experienced in the industry, Technicoil's drilling rig utilization increased by 39% over the same period, achieving a 39% utilization rate in the quarter versus 28% in the third quarter of 2006. The third quarter of 2006 was negatively impacted by the cancellation of a number of shallow natural gas drilling programs by Technicoil's customers due to lower natural gas prices being experienced subsequent to the first quarter of 2006. In order to diversify the division's operations, management has focused on expanding Technicoil's drilling operations into heavy oil projects. This area of operation began in the first quarter of 2007 and has provided steady activity for one of the division's rigs throughout 2007, which is helping to offset some of the lower shallow gas drilling activity.

The increased utilization of the division's rigs caused revenue to increase to \$3.6 million in the quarter versus \$3.2 million in the third quarter of 2006. Partially offsetting the increase in activity were lower drilling day rates which have declined throughout the industry due to the lower industry activity levels. In response to the lower industry pricing, Technicoil reduced its average base drilling rates by approximately 15% to 20% from the rates achieved in the third quarter of 2006. Technicoil's total average day rate in the quarter declined to \$16,682 versus \$20,289 in the third quarter of 2006.

As a result of the lower charge-out rates, gross margins as a percentage of revenue declined to 24% in the quarter versus 33% in the third quarter of 2006. Partially offsetting some of the impact of the lower charge-out rates was a decline in operating costs due to the division primarily operating its newer rigs during the current period of low utilization levels. These rigs tend to experience lower maintenance costs due to the age of the equipment. In addition, management continues to focus on initiatives to reduce excess operating and overhead costs where possible.

On a year to date basis, industry utilization has averaged 37%, which is consistent with Technicoil's drilling utilization of 36%. Similar to the quarter, the industry drilling utilization has declined significantly in 2007 versus 2006 with the year to date utilization being 37%, as compared to the 58% utilization achieved in the first nine months of 2006. As a result of the lower industry activity levels, competitive pricing pressures have caused Technicoil's total average revenue per day to decline to \$19,338 versus \$21,915 in the comparative period in 2006. The lower activity and revenue rates have caused Technicoil's year to date revenue to decline by 32% to \$11.4 million versus \$16.8 million in the first nine months of 2006.

The lower activity and decreased pricing has caused gross margin in the division to decrease to \$2.6 million versus \$6.6 million in the first nine months of 2006. Gross margin as a percentage of revenue has declined to 23% year to date versus 39% in the comparative period in 2006. The majority of this decline relates to the lower pricing during the year. In addition, with the lower utilization of the rigs year to date, fixed costs and annual spring maintenance have also become a greater portion of the division's costs in the year, thus putting further pressure on the gross margin.

General and Administrative Expenses

General and administrative expenses decreased to \$0.7 million in the quarter versus \$0.9 million in the third 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 due to no further consulting costs being incurred due to the Corporation's completion of its initial compliance efforts for Multilateral Instrument 52-109 ("CSox"). These cost savings were offset by \$0.1 million in higher compensation expense.

The above factors have also contributed to the year to date decline in general and administrative expenses to \$2.5 million from \$3.2 million in the first nine months of 2006. Stock based compensation expense is \$0.5 million lower in the first nine months of 2007 versus 2006. In addition, the Corporation has managed its CSox compliance internally year to date versus incurring \$0.2 million in external consulting costs in the first nine months of 2006 to initially implement CSox.

Year to date, general and administrative expenses as a percentage of revenue has averaged 9% which is consistent with the first nine months of 2006.

Depreciation

Depreciation expense increased to \$2.1 million in the quarter versus \$1.8 million in the third quarter of 2006. This increase is a result of the increase in depreciable assets from the Corporation's \$8.5 million in capital expenditures made subsequent to the third quarter of 2006 combined with the acquisition of Storm in the quarter. Year to date, the Corporation's depreciation expense is \$6.1 million versus \$4.8 million in the first nine months of 2006.

Interest and Taxes

The Corporation incurred \$0.4 million of interest expense in the quarter versus \$0.3 million in the third quarter of 2006 due to the increased debt financing used to purchase Storm. Year to date, the Corporation's interest expense is \$1.0 million versus \$0.6 million in the first nine months of 2006. The increase in interest expense is due to the Corporation drawing on its debt facilities to fund its capital expenditures made subsequent to the third quarter of 2006 combined with increased debt associated with the acquisition of Storm.

The Corporation's effective tax rate during the quarter was 30% versus the statutory rate of 32%. The Corporation's effective tax rate recovery year to date is 80% which is higher than the statutory rate due to 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. With the lower operating income year to date, the income related to

the capital gain is garnering a greater proportion of the Corporation's pre-tax income. If the impact of the capital gain is excluded, the Corporation's effective tax rate is 31% year to date.

LIQUIDITY AND CAPITAL RESOURCES

During the quarter the Corporation increased its long-term debt facilities by \$10.0 million to complete the acquisition of Storm. The Corporation currently has total debt facilities of \$35.0 million, of which \$27.2 million was outstanding as at September 30, 2007. Despite drawing \$8.1 million on the Corporation's debt facilities to fund the cash portion of the Storm acquisition as well as assuming Storm's \$3.9 million outstanding debt balance and incurring \$1.5 million in capital expenditures during the quarter, Technicoil's net debt, long-term debt less positive working capital, only increased by \$8.5 million during the quarter due to the generation of \$3.3 million in positive funds flow from operations and the assumption of \$2.5 million in cash and positive working capital from the Storm acquisition.

Year to date the Corporation has incurred \$5.9 million in capital expenditures with approximately an additional \$2.0 million to be incurred in the fourth quarter to complete construction of the seventh drilling rig and the eighth conventional service rig and related support equipment. Due to manufacturing delays, final completion of the eighth drilling rig may be delayed beyond the end of the fourth quarter of 2007. Efforts are being taken to minimize this delay. The completion of these rigs is expected to be financed through operating cash flows, with any excess cash flow being applied against the Corporation's outstanding debt balance.

As at September 30, 2007, the Corporation had 71,762,181 common shares issued and outstanding. The Corporation also had 3,425,330 stock options issued and outstanding of which 1,860,997 were vested.

RELATED PARTY TRANSACTION

As part of the Storm transaction, 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 a special committee of the Corporation's board, 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

The Alberta government's recent announcement to change royalty rates for oil and gas production in Alberta has created additional uncertainty for activity levels in Alberta. Given that Alberta accounts for approximately 75% of the wells completed in the WCSB, any decrease in activity in Alberta will have a significant impact on companies operating in the WCSB. The timing of this announcement is less than ideal with the natural gas industry already experiencing depressed activity levels due to weak commodity pricing and the oil and gas exploration companies currently in the midst of setting their 2008 capital budgets. In a time of uncertainty, companies generally choose to be more cautious, thus it is expected that capital expenditure budgets for 2008 will be curtailed until greater clarity is obtained on the impact the royalty change will have on operating cash flows for the oil and gas exploration companies. In fact, a number of major oil and gas exploration companies have already announced their intention to curtail investment in the province due to lower investment returns caused by the increased royalty rates.

Overall royalty rates have increased for the majority of production areas in the province, however, the structure of the new royalty rates does favour development of shallow natural gas programs due to the lower royalty rates provided for these wells. Given this is the core area of operation for the Corporation's coiled tubing rigs, these rigs could experience increased utilization in the future as oil and gas companies take advantage of the favorable royalty rates for shallow natural gas production.

While the Corporation cannot control the decisions made by the government or the oil and gas exploration companies, management believes that Technicoil is in a strong position to weather these challenges. In particular, management believes the following factors should benefit Technicoil:

- Technicoil currently has one of the youngest rig fleets in the industry, utilizing current technologies. This fleet of 31 rigs provides Technicoil's customers with some of the most efficient, safest and cost effective alternatives to meeting their drilling and well servicing needs. In this era of tightening economics in the WCSB, companies such as Technicoil that can provide tools which can save its customers money should continue to be in demand;
- Technicoil's acquisition of Storm and the continued expansion of service offerings outside of shallow natural gas provides the Corporation with a more diversified revenue mix which should help stabilize operating and financial results;
- Technicoil has a long history of generating positive funds flow from operations and exited the third quarter with a net debt balance of \$17.9 million. With no immediate plans for a significant capital expansion, any excess cash flow will continue to be applied against the Corporation's remaining debt balance, thus further strengthening Technicoil's financial position; and
- Technicoil's variable cost structure allows the Corporation to quickly adapt to changes in activity levels, thereby preserving margins during periods of lower activity.

Overall, management continues to believe the strong underlying commodity supply/demand fundamentals supports the long-term future development in the WCSB and a corresponding increase in industry activity levels in the future. However, with the royalty and commodity price challenges for companies operating in the WCSB, management expects that the industry will continue to experience reduced activity levels until commodity prices improve and companies have an opportunity to fully assess the impact of the royalty changes on their business operations.. The reduced activity will likely continue to place pressures on pricing for services and gross margins. Companies which can proactively control their operating costs while still providing their customers with a premier service will continue to prosper in this challenging period. Management believes that Technicoil is one of those companies, as evidenced by the Corporation's continued positive margins and higher activity levels being recorded in the third quarter of 2007 versus the third quarter of 2006, which is in contrast to the declining activity levels being experienced in the industry.

The underlying strength in Technicoil's product offerings is further exemplified by the fact that as at November 12, Technicoil's well service division has already exceeded the total operating hours achieved by its service rigs in the fourth quarter of 2006. In addition, Technicoil's drilling rigs have also enjoyed higher utilization quarter to date than the utilization attained for the Corporation's drilling rigs at this point in the fourth quarter of 2006.

Consolidated BALANCE SHEETS

<i>(Thousands)</i>	September 30, 2007	December 31, 2006
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$1,226	\$3,047
Accounts receivable	10,161	7,774
Income taxes receivable	1,214	1,281
Inventory	2,582	2,489
Prepaid expenses	320	431
	15,503	15,022
Property, plant and equipment	92,019	77,365
Intangible assets	1,793	-
Goodwill	7,303	-
	\$116,618	\$92,387
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	6,160	\$3,527
Current portion of long-term debt	2,267	4,900
	8,427	8,427
Long-term debt	24,933	16,850
Future income taxes	10,879	7,143
	44,239	32,420
Shareholders' equity:		
Share capital	50,815	38,586
Contributed surplus	2,412	2,144
Retained earnings	19,152	19,237
	72,379	59,967
	\$116,618	\$92,387

Consolidated Statements
of
OPERATIONS and RETAINED EARNINGS

<i>(Thousands except per share data) (unaudited)</i>	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Revenue	\$11,438	\$10,316	\$26,609	\$34,269
Operating expenses	7,207	5,918	18,338	20,397
Gross margin	4,231	4,398	8,271	13,872
General and administrative expenses	691	934	2,516	3,155
Depreciation	2,129	1,751	6,064	4,800
Gain on sale of assets	(13)	(743)	(856)	(743)
Interest on long-term debt	370	256	1,038	638
Other (revenue) expenses	(24)	(20)	(61)	(47)
Net income (loss) before income tax	1,078	2,220	(430)	6,069
Income tax (recovery) expense:				
Current	(51)	(51)	(1,691)	200
Future	379	766	1,346	1,120
	328	715	(345)	1,320
Net income (loss) and comprehensive income (loss) for the period	750	1,505	(85)	4,749
Retained earnings, beginning of period	18,402	16,885	19,237	13,641
Retained earnings, end of period	\$19,152	\$18,390	\$19,152	\$18,390
Earnings per share				
Basic	\$0.01	\$0.03	\$0.00	\$0.08
Diluted	\$0.01	\$0.03	\$0.00	\$0.08

**Consolidated Statements
of
CASH FLOWS**

<i>(Thousands) (unaudited)</i>	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Cash provided by (used in):				
Operating activities:				
Net income (loss) for the period	\$750	\$1,505	\$(85)	\$4,749
Add (deduct) non-cash items:				
Depreciation	2,129	1,751	6,064	4,800
Gain on sale of assets	(13)	(743)	(856)	(743)
Stock-based compensation expense	76	234	283	789
Future income tax	379	766	1,346	1,120
	3,321	3,513	6,752	10,715
Net change in non-cash working capital from operations	(4,480)	(835)	(1,153)	(214)
Net change in non-cash working capital from acquisition	2,208	-	2,208	-
Cash flow from operating activities	1,049	2,678	7,807	10,501
Financing activities:				
Common shares issued	-	1	21	109
Share issue costs	(20)	-	(20)	-
Net proceeds from revolving term loans	12,783	1,100	7,083	11,600
Repayment of fixed term loans	(3,920)	(825)	(5,554)	(1,925)
Cash flow from financing activities	8,843	276	1,530	9,784
Investing activities:				
Acquisition of property, plant and equipment	(1,496)	(5,296)	(5,911)	(14,762)
Proceeds on sale of property, plant and equipment	65	2,138	1,939	2,143
Business acquisition, net of cash acquired	(8,670)	-	(8,670)	-
Net change in non-cash working capital from the purchase of property, plant and equipment	(274)	(2,691)	1,484	(9,054)
Cash flow from investing activities	(10,375)	(5,849)	(11,158)	(21,673)
Net (decrease) increase in cash and cash equivalents	(483)	(2,895)	(1,821)	(1,388)
Cash and cash equivalents, beginning of period	1,709	4,486	3,047	2,979
Cash and cash equivalent, end of period	\$1,226	\$1,591	\$1,226	\$1,591
Cash interest paid	\$370	\$260	\$993	\$627
Cash income taxes received	\$(999)	\$(661)	\$(1,433)	\$(211)

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