



# TECHNICOIL CORPORATION

1510, 555 – 4<sup>th</sup> Avenue S.W.  
 Calgary, AB, Canada T2P 3E7  
 Tel: (403) 509-0700  
 Fax: (403) 509-0701  
 Email: info@technicoilcorp.com  
 Website: www.technicoilcorp.com

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## TECHNICOIL CORPORATION ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR THE THREE MONTH PERIOD ENDED March 31, 2009

Technicoil Corporation (“Technicoil” or the “Corporation”) announces solid financial and operating results for the three months ended March 31, 2009 and the continued strengthening of the balance sheet, reducing gross long-term debt by \$5.7 million to \$16.6 million as at March 31, 2009 from \$22.3 million as at December 31, 2008.

Technicoil is an oilfield services company operating primarily in the Western Canadian Sedimentary Basin (“WCSB”). The Corporation’s business is conducted through two divisions: Well Servicing and Drilling.

### SELECT FINANCIAL & OPERATING INFORMATION

(\$ thousands, except per share data)(unaudited)	Three months ended March 31		
	2009	2008	% Change
Revenue	\$17,008	\$17,468	(3%)
Gross margin	\$4,731	\$6,159	(23%)
Gross margin %	28%	35%	(20%)
General and administrative costs	\$863	\$859	-
EBITDA <sup>1</sup>	\$3,488	\$5,585	(38%)
Net Income	\$662	\$2,190	(70%)
Per share – basic	\$0.01	\$0.03	(67%)
Per share – diluted	\$0.01	\$0.03	(67%)
Funds flow from operations <sup>2</sup>	\$3,242	\$4,724	(31%)
Well servicing operating hours	13,544	12,432	9%
Drilling operating days	217	263	(17%)
	<b>As at March 31, 2009</b>	<b>As at December 31, 2008</b>	<b>% Change</b>
Total assets	\$105,902	\$112,409	(6%)
Long-term debt (including current portion)	\$16,600	\$22,300	(26%)
Debt to equity ratio <sup>3</sup>	0.46	0.56	(18%)

- 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.
- 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 flow from operations is a measure that provides investors additional information regarding the Corporation’s liquidity and its ability to generate funds to finance its operations. Funds from operations does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.
- 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.

## OVERVIEW OF RESULTS

Technicoil achieved solid results in the first quarter of 2009, a period overshadowed by the continued retraction in economic activity and reduced access to capital. A broad service offering and geographic diversity enabled the Corporation to achieve the following results for the three month period ended March 31, 2009:

- Continued to strengthen the Corporation's balance sheet, reducing long-term debt including current portion by \$5.7 million (or 26%) to \$16.6 million, and net debt represented by long-term debt net of working capital by \$1.9 million (or 29%) to \$4.7 million, relative to December 31, 2008.
- Reported revenue of \$17.0 million, representing only a 3% reduction in comparison with the first quarter of 2008. An improvement in the Well Servicing Division revenue of \$0.5 million was more than offset by a \$0.9 million reduction in revenue generated by the Drilling Division.
- Achieved record first quarter operating hours and revenue for the Well Servicing Division of 13,544 hours and \$13.3 million, respectively, largely as a result of the focused expansion of the Corporation's services into the Montney and Horn River resource plays and an increase in other non-fracturing services. Operating hours and revenue increased from 12,432 hours and \$12.8 million, respectively, in the comparable 2008 period.
- Rig utilization of the Well Servicing Division improved to 58% in the first quarter of 2009 in comparison with 53% for the same period of the prior year. Since December 2005, the only quarter to surpass this utilization rate was the fourth quarter of 2008.
- Drilling rig utilization averaged 40% in comparison with average industry utilization of 36%.
- Funds-flow from operations was \$3.2 million for the first quarter of 2009 in comparison with \$4.7 million for the same period of the prior year.
- Reported net earnings of \$0.7 million, or \$0.01 per share.
- Completed construction of the Corporation's ninth conventional service rig, a free standing mobile double rig capable of servicing wells 4,000 meters deep, which began operations in March 2009.
- The Corporation was awarded the Canadian Association of Oilwell Drilling Contractors ("CAODC") "Safety Leadership Award" and the "Chairman of the Board Shield Award", recognizing Technicoil's achievements in safety in 2008.

The economic environment in the first quarter of 2009 was challenging. Industry drilling rig utilization in the Western Canadian Sedimentary Basin ("WCSB") fell considerably in the quarter, averaging only 36%, the lowest first quarter utilization rate since 1992 (source: Daily Oil Bulletin). With the continued weakness in commodity prices and limited access to capital, the majority of exploration and production companies adjusted their capital spending plans for 2009 to limit capital investment to cash flow. Service companies, including Technicoil, experienced significant pricing pressure resulting in lower charge-out rates. To respond to the weak economic environment, the Corporation implemented a number of significant initiatives including: non-rig workforce reduction of approximately 10%, salary freeze for permanent employees, and a realignment of internal reporting functions resulting in a more responsive and efficient operation. For field operations, the Corporation will be implementing wage reductions in the second quarter of 2009 following the announcement by the CAODC recommending members reduce the wages paid to rig workers by approximately 10%.

Entering the second quarter of 2009, the Corporation has a strong balance sheet, a desirable product offering and a team focused on generating solid returns to shareholders. Capital investment will be curtailed, and maintenance and discretionary spending will be directed only towards those initiatives necessary to sustain operational efficiency.

## FINANCIAL AND OPERATING RESULTS

### **REVENUE**

The Corporation generated revenue of \$17.0 million in the first quarter of 2009 in comparison with \$17.5 million for the comparable period of the prior year. Record first quarter revenue for the Well Servicing Division of \$13.3 million, representing an increase in comparison with the first quarter of 2008 of \$0.5 million, was more than offset by a decline in revenue for the Drilling Division of \$0.9 million.

Operating hours for the Well Servicing Division increased by 9% in the first quarter of 2009 compared with the same period of the prior year, contributing to the increase in revenue for this division. An increase in conventional service work performed by the coiled tubing rig fleet, including activity in the Montney and Horn River resource plays, accounts for the increase in operating hours. The Drilling Division experienced a reduction in utilization rates with a resultant decline in operating days. The Corporation's drilling rig utilization rate of 40% compares favourably to the industry drilling rig utilization rate which averaged 36% (source: CAODC).

### **GROSS MARGIN**

Gross margin for the first quarter of 2009 was \$4.7 million, or 28% of revenue, in comparison with \$6.2 million, or 35% of revenue for the three months ended March 31, 2008. Downward pressure on charge-out rates, customers more aggressively managing costs associated with capital and service programs, and the impact of labour rate increases which were implemented in the second half of 2008, contributed to the reduction in gross margin percentage in comparison with the first quarter of the prior year. The Corporation was, however, able to maintain the gross margin percentage close to with the fourth quarter of 2008. While higher labour costs contributed to the margin erosion in the first quarter of 2009 for both divisions, wage reductions for field workers to be implemented in the second quarter of 2009 will help alleviate the margin erosion in future periods provided that charge-out rates are maintained at current levels. Also contributing to the lower gross margin percent was higher maintenance costs for the service rig fleet which historically have been deferred until the slower spring break-up season. The Corporation utilized crew standby and non-operating days to perform routine maintenance on the fleet during the quarter to maintain quality standards.

### **GENERAL AND ADMINISTRATIVE EXPENSE**

General and Administrative ("G&A") expense was \$0.9 million for the three months ended March 31, 2009, consistent with the same period of the prior year. As a percentage of revenue, G&A expense increased from 4.9% of revenue in the first quarter of 2008 to 5.1% largely as a result of the marginal reduction in revenue. In comparison with the first quarter of 2008, compensation expense was lower by \$0.2 million primarily due to lower employee incentive compensation expense, legal costs increased by \$0.2 million for general corporate matters and litigation, while other charges remained consistent.

### **DEPRECIATION AND AMORTIZATION**

Depreciation and amortization expense of \$2.4 million for the first quarter of 2009 compares with \$2.3 million for the same period of the prior year. The increase in depreciation expense is a result of the capital program from 2008 and the completion of

the ninth conventional service rig in March 2009. During the quarter the Corporation disposed of some redundant pressure control equipment for proceeds of \$0.1 million resulting in a loss on sale of \$0.1 million.

## OTHER ITEMS

The Corporation recorded a provision for bad debt expense of \$0.2 million in the first quarter of 2009. No similar charge was recorded in the first quarter of 2008.

Interest expense was \$0.2 million in the first quarter of 2009 compared with \$0.4 million in the same period of the prior year. Lower average drawings on the long-term debt facilities, combined with lower interest rates, account for the decrease in interest expense in the first quarter of 2009 in comparison with the same period of the prior year. Drawings from long-term debt facilities averaged \$18.7 million during the first quarter of 2009 in comparison with \$22.6 for the same period of 2008, with the average effective interest rate falling to 3.6% in comparison with 6.3% over the same period.

Other income recorded in 2008 of \$0.3 million primarily related to the forfeiture of a non-refundable deposit paid by a prospective purchaser of the Corporation's last remaining body-style coiled tubing service rig. No similar item was recorded in the first quarter of 2009.

Income tax expense was \$0.2 million for the three months ended March 31, 2009 in comparison with \$0.7 million for first quarter of 2008. Lower pre-tax income resulted in lower tax expense during the period. The Corporation's effective tax rate in the quarter of 26.2% is lower than the statutory rate of 29.5% as a result of lower future tax rates in effect when temporary differences between the Corporation's accounting and tax values are anticipated to reverse, net of the impact of non-deductible items.

The Corporation recorded net income of \$0.7 million for the first quarter of 2009 compared with net income of \$2.2 million reported for the first quarter of 2008, representing earnings per share of \$0.01 and \$0.03, respectively.

## SEGMENTED RESULTS

### WELL SERVICING

The Well Servicing Division provides coiled tubing and conventional service rigs to the WCSB. Well Servicing is the largest division of the Corporation. The key performance indicators for this division include rig utilization, revenue and gross margin percentage. At March 31, 2009, the Corporation had a modern rig fleet comprised of 18 coiled tubing service units and nine conventional service units, with an average age of less than five years.

<i>Three months ended March 31 (\$ thousands except for revenue per operating hour)(unaudited)</i>	<b>2009</b>	<b>2008</b>	<b>Variance</b>	<b>% Change</b>
Well servicing revenue	\$13,261	\$12,805	\$456	4%
Operating expenses	9,309	7,869	1,440	18%
Gross margin	\$3,952	\$4,936	(\$984)	(20%)
Gross margin %	30%	39%	(9%)	(23%)
Utilization %	58%	53%	5%	9%
Operating hours	13,544	12,432	1,112	9%
Revenue per operating hour	\$979	\$1,030	(\$51)	(5%)
Number of wells serviced during the period	675	959	(284)	(30%)

The Corporation's coiled tubing service rigs are capable of performing a broad array of services beyond the traditional fracturing through coil applications. These expanded services include activities such as "rigless" completions and various well completion services performed on new gas wells, such as perforations and drill outs. These services have typically been performed by conventional service rigs, however with the efficiencies that coiled tubing provides, a number of oil and gas companies are utilizing coiled tubing to complete some of their gas wells. The Corporation's high capacity masthead coiled tubing units have proven an ideal fit for this application and have enabled Technicoil to deploy its coiled tubing rigs in the Montney resource play and the Horn River Basin. The Corporation has also been successful in deploying its coiled tubing service rigs in Steam Assisted Gravity Drainage ("SAGD") drilling operations. By equipping the coil with electrical line services, or "e-line", Technicoil is able to transmit a 3D signal via an imaging tool attached to the end of the e-line to the drilling operator to guide the drilling of the producing well pair. Related benefits of the expanded conventional service work that the coiled tubing units perform include 24 hour operations and wells requiring multiple days to complete. Complementing the coiled tubing units is the Corporation's modern fleet of nine conventional service rigs, including the recently completed free standing mobile double service rig capable of servicing wells with depths of 4,000 metres, providing services such as completions, production work, workovers and abandonments.

Technicoil reported record first quarter revenue in 2009 for the Well Servicing Division of \$13.3 million in comparison with revenue of \$12.8 million for the three months ended March 31, 2008. Contributing to the revenue growth was an increase in operating hours of 9% which was partially offset by lower average revenue per operating hour. Utilization rates for the well servicing fleet averaged 58% during the first quarter of 2009 in comparison with 53% for the same period of the prior year. The Well Servicing Division recorded operating hours from services other than shallow natural gas fracturing of 10,426 hours, representing 77% of total divisional hours in the quarter. This compares with 7,288 operating hours, or 59% of total divisional operating hours, from services other than shallow natural gas fracturing in the comparable period of the prior year. The increase in conventional operating hours, as a result of a broader service offering and geographic diversification, more than offset declines in fracturing operating hours in comparison with the first quarter of 2008. Revenue rates realized in the first quarter of 2009 averaged \$979 per hour in comparison with \$1,030 per hour in 2008, a 5% decrease per hour. The decline in average revenue per operating hour is a result of downward pressure on rates and a higher proportion of conventional service work relative to fracturing through coil services.

Gross margin realized in the first quarter of 2009 for the Well Servicing Division was \$4.0 million in comparison with \$4.9 million for the same quarter of the prior year. As a percentage of revenue, gross margin averaged 30% in the first quarter of 2009 in comparison with 39% for the comparable 2008 period. The decrease in gross margin is attributable to lower average per hour revenue rates and higher per hour operating costs. The increase in per hour operating costs is attributable to higher labour rates which came into effect in the second half of 2008, an increase in rig and crew standby days, and maintenance programs being performed during standby or non-operating days to maintain the equipment at a high standard. Also contributing to the reduction in the gross margin percentage is the impact of customers more aggressively managing their capital and service programs.

## DRILLING

The Drilling Division provides hybrid drilling rigs to the WCSB. Results of the Drilling Division tend to be more volatile than the Well Servicing Division due in part to seasonal restrictions on moving equipment and fluctuations in drilling programs of exploration and production companies. The key performance indicators for this division include rig utilization, revenue and gross margin percentage. At March 31, 2009, the Corporation owned seven drilling rigs. The Corporation removed one rig from service in 2008 in order to potentially convert it into a high capacity coiled tubing service rig capable of handling jointed pipe. The conversion of this rig has been postponed until such time as the WCSB market once again begins to expand or a long-term commitment is made by a customer.

<i>Three months ended March 31 (\$ thousands except for revenue per operating day)(audited)</i>	<b>2009</b>	<b>2008</b>	<b>Variance</b>	<b>% Change</b>
Drilling revenue	\$3,747	\$4,663	(\$916)	(20%)
Operating expenses	2,968	3,440	(472)	(14%)
Gross margin	\$779	\$1,223	(\$444)	(36%)
Gross margin %	21%	26%	(5%)	(19%)
Utilization %	40%	42%	(2%)	(5%)
Operating days	217	263	(46)	(17%)
Revenue per operating day	\$17,267	\$17,730	(\$463)	(3%)
Number of wells completed during the period	90	90	-	-

The Corporation's hybrid drilling rigs are capable of drilling with both jointed pipe or coiled tubing. The majority of activity for these rigs is drilling shallow natural gas wells, heavy oil drilling, oilsands coring and shallow directional drilling.

The Corporation reported first quarter revenue for the Drilling Division of \$3.7 million in 2009 in comparison with \$4.7 million for the same period of the prior year. The first quarter of 2009 represented a period of significant retraction of drilling activity in the WCSB as a result of declining commodity prices and limited access to capital for exploration and production companies. Technicoil's drilling results during the quarter were also impacted by these factors. Technicoil's average rig utilization during the quarter was 40% in comparison with 42% for the first quarter of the prior year. While the Corporation's utilization rate fell quarter over quarter, Technicoil outperformed industry drilling rig utilization which averaged 36% (source: CAODC) in the first quarter of 2009. Base day rates for drilling rigs in the WCSB came under significant pressure starting in late 2008 and continued in the first quarter of 2009 due to an excess of available equipment. The Corporation's average revenue per operating day of \$17,267 represents a 3% reduction in comparison with the first quarter of 2008, which averaged \$17,730 per day. The Corporation's revenue per operating day includes revenues from supporting services, many of which are pass-through cost items charged to the customer. Depending on the individual contract, these items may or may not be provided directly by the customer, thus they can significantly skew the average revenue per operating day rate.

Gross margin in the first quarter of 2009 was \$0.8 million for the Drilling Division in comparison with the \$1.2 million reported in the comparable period of 2008. As a percentage of revenue, gross margin averaged 21% in the quarter compared with 26% in the first quarter of 2008. Impacting the gross margin percentage was higher labour costs which took effect in the second half of 2008. The Corporation was able to maintain other variable costs during the quarter at or below the hourly rates incurred in the first quarter of 2008 through stringent cost control.

## LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary sources of liquidity and capital resources are: funds generated from continuing operations; bank financing and operating lines of credit; and the issuance of equity instruments. As at May 11, 2009, Technicoil had 72,638,848 common shares issued and outstanding and 3,626,334 options issued and outstanding of which 1,926,336 were vested.

Technicoil continued to strengthen its financial position during the first quarter of 2009, exiting the quarter with a net debt balance, represented by long-term debt less positive working capital, of \$4.7 million, a 29% reduction in comparison with net debt of \$6.7 million as at December 31, 2008. The Corporation expects to generate sufficient cash from operations to fund liabilities as they become due and finance planned investing activity throughout 2009. Additional liquidity, if necessary, is available under the Corporation's \$31 million committed revolving term facility, of which \$16.6 million was drawn as at March 31, 2009 compared with \$22.3 million drawn as at December 31, 2008. In addition, the Corporation has available a \$4 million bank operating facility, of which no amount was drawn as at March 31, 2009. The Corporation was in compliance with all debt covenants as at March 31, 2009. Technicoil's credit facilities mature on May 31, 2009 and are extendable at the banks' option in May of each year. The Corporation has commenced discussions with the bank and anticipates the facilities will be renewed prior to May 31, 2009.

### **Operating Activities**

Cash flow from operating activities was \$6.3 million for the three months ended March 31, 2009 compared with \$3.8 million for the same period of the prior year. Excluding the impact of changes in non-cash working capital from operations, funds flow from operations was \$3.2 million in the first quarter of 2009 in comparison with \$4.7 million in 2008. During the quarter, Technicoil continued to focus on applying excess cash generated towards debt reduction.

### **Financing Activities**

The Corporation repaid \$5.7 million of its revolving term loan during the quarter, reducing this facility from \$22.3 million at December 31, 2008 to \$16.6 million at March 31, 2009.

### **Investing Activities**

Cash used in investing activities for the three months ended March 31, 2009 was \$1.6 million as compared with \$2.4 million for the comparative period of the prior year. Investing activities in the quarter related primarily to the completion of the ninth conventional service rig and modifications performed on coiled tubing service rigs to service the Montney and Horn River resource plays and to support SAGD ranging operations.

## OUTLOOK

Technicoil entered a challenging business environment in 2009 with a strong balance sheet, a broad service offering, geographic diversification and a management team focused on adapting to the ever changing business environment. The oilfield service industry in the WCSB continues to be impacted by the global economic recession, limited access to capital, and low oil and natural gas commodity prices. These factors have contributed to the Corporation's primary customer base of oil and natural gas companies re-assessing their capital spending plans for 2009.

With the current economic uncertainty, management's confidence in predicting future business levels is lower than in the past. The conventional oil and gas industry in the WCSB is expected to experience considerably slower business conditions in 2009, with drilling activity forecasted to fall to levels not seen in over a decade. With a significant inventory of available drilling and service rigs in the WCSB, service companies are experiencing downward pressure on charge-out rates and lower utilization levels. Technicoil's variable cost structure, including planned field wage reductions, will enable the Corporation to adjust for market

conditions. The Corporation will continue to evaluate other cost initiatives, such as those executed in the first quarter of 2009 related to the non-rig workforce headcount reduction and salary freeze, to pro-actively manage the current industry downturn.

Technicoil, through diversification, high quality service, and competitive pricing, is confident that the Corporation is positioned to capitalize on projects such as the Montney and Horn River resource plays in northeastern British Columbia which continues, albeit at a slower pace. Furthermore, the Corporation is positioned to participate in long-term programs associated with SAGD operations.

Looking beyond 2009, the Corporation is confident that industry activity levels will strengthen and that the repositioning and diversification, both technical and geographic, of Technicoil's services will enable the Corporation to generate solid results for shareholders.

#### FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of securities laws, including the "safe harbour" provision of Canadian securities legislation. Forward-looking statements or information are often, but not always, identified by the use of words such as "anticipate", "expect", "plan", "forecast", "target", "project", "seek", "may", "intend", "will", "should", "could", "believe", "estimate", "predict" or similar expressions, statements that are based on current expectations and estimates about the markets in which the Corporation operates or statements of the Corporation's belief, intentions and expectations about development, results and events which will, or may occur in the future. Such forward-looking statements are based on Technicoil's current beliefs, as well as certain assumptions made by, and information currently available to, Technicoil concerning statements with respect to future capital expenditures, including the amount and nature thereof; oil and gas prices and demand; other development trends of the oil and gas industry; business strategy; expansion and growth of the Corporation's business and operations, including the Corporation's market share and position in the oilfield service markets; the ability to obtain financing on acceptable terms, and other such matters. In addition, other written or oral statements which constitute forward-looking statements may be made from time to time by and on behalf of the Corporation. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, such forward-looking statements are subject to important risks and uncertainties that predictions, projections, forecasts and other forward-looking statements will not be achieved. Readers are cautioned not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, without limitation: the impact of general economic conditions; industry conditions, including the adoption of new environmental, tax, royalty and other laws and regulations and changes in how they are interpreted and enforced; volatility of oil and gas prices; oil and gas product supply and demand; inadequate insurance coverage; risks inherent in the Corporation's ability to generate sufficient cash flow from operations to meet its current and future obligations; increases in debt service charges; the Corporation's ability to access external sources of debt and equity capital; increased competition; counterparty risk; the lack of availability of qualified personnel or management; labor unrest; fluctuations in foreign exchange or interest rates; stock market volatility; opportunities available to, or pursued by, the Corporation and other factors, many of which are beyond the control of the Corporation.

Further information regarding these factors may be found under the heading "Risks and Uncertainties" in the MD&A of the Corporation for the year ended December 31, 2008 and in the Corporation's most recent annual information form, information circular, quarterly reports, material change reports and news releases. The Corporation's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly,

no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits, including the amount of proceeds, the Corporation will derive therefrom. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Any forward-looking information contained herein is expressly qualified by this cautionary statement. The forward-looking statements in this document are provided for the limited purpose of enabling current and potential investors to evaluate an investment in the Corporation. Readers are cautioned that such statements may not be appropriate, and should not be used for other purposes.

***Consolidated***  
**BALANCE SHEETS**

<i>(Thousands) (unaudited)</i>	March 31, 2009	December 31, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$163	\$1,198
Accounts receivable	14,376	18,665
Income taxes receivable	-	12
Inventory	2,260	2,210
Prepaid expenses	361	377
	17,160	22,462
Intangible assets	844	1,002
Property, plant and equipment	87,898	88,945
	<b>\$105,902</b>	<b>\$112,409</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$5,199	\$6,824
Income taxes payable	99	-
Current portion of long-term debt	3,458	3,252
	8,756	10,076
Long-term debt	13,142	19,048
Future income taxes	11,252	11,195
	33,150	40,319
<i>Contingencies</i>		
Shareholders' equity:		
Share capital	51,491	51,491
Contributed surplus	2,197	2,197
Retained earnings	19,064	18,402
	72,752	72,090
	<b>\$105,902</b>	<b>\$112,409</b>

***Consolidated Statements***  
***of***  
**OPERATIONS and RETAINED EARNINGS**

<i>(Thousands except per share data) (unaudited)</i>	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenue	\$17,008	\$17,468
Operating expenses	12,277	11,309
Gross margin	4,731	6,159
General and administrative expenses	863	859
Bad debt expense	234	-
Stock-based compensation	-	65
Depreciation and amortization	2,396	2,305
Loss on sale of assets	127	-
Interest on long-term debt	195	375
Other expenses (revenue)	19	(350)
Net income before income tax	897	2,905
Income tax expense:		
Current	178	503
Future	57	212
	235	715
Net income and comprehensive income	662	2,190
Retained earnings, beginning of period	18,402	21,782
Retained earnings, end of period	\$19,064	\$23,972
Earnings per share		
Basic	\$0.01	\$0.03
Diluted	\$0.01	\$0.03

**Consolidated Statements  
of  
CASH FLOWS**

<i>(Thousands) (unaudited)</i>	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Cash provided by (used in):		
Operating activities:		
Net income for the period	\$662	\$2,190
Add (deduct) non-cash items:		
Depreciation and amortization	2,396	2,305
Loss on sale of assets	127	-
Stock-based compensation expense	-	17
Future income tax	57	212
Net change in non-cash working capital from operations	3,242	4,724
Cash flow from operating activities	3,040	(890)
Financing activities:		
Common shares issued	-	95
Net repayment of revolving term loans	(5,700)	(1,500)
Cash flow from financing activities	(5,700)	(1,405)
Investing activities:		
Acquisition of property, plant and equipment	(1,428)	(942)
Proceeds on sale of property, plant and equipment	110	-
Net change in non-cash working capital from the purchase of property, plant and equipment	(299)	(1,461)
Cash flow from investing activities	(1,617)	(2,403)
Net (decrease) increase in cash and cash equivalents	(1,035)	26
Cash and cash equivalents, beginning of period	1,198	388
Cash and cash equivalents, end of period	\$163	\$414
Cash interest paid	\$179	\$382
Cash income taxes paid (recovered)	\$40	\$(1,470)

**For further information, please contact:**

Marvin D. Clifton  
President & Chief Executive Officer  
T: 403 509-0702  
E: [mclifton@technicoilcorp.com](mailto:mclifton@technicoilcorp.com)

Robert W. Sprinkhuysen  
Chief Financial Officer  
T: 403 509-0711  
E: [rsprinkhuysen@technicoilcorp.com](mailto:rsprinkhuysen@technicoilcorp.com)