



Q1/2011

2011 FINANCIAL DOCUMENTS

First Quarter 2011 Management's Discussion & Analysis
and Consolidated Financial Statements



MANAGEMENT'S DISCUSSION & ANALYSIS

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information (referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "intend", "estimate", "expect", "may", "will", "should", or similar words suggesting future activities or outcomes. In particular, this MD&A refers to forward-looking statements: (i) by analysts relating to forecast natural gas prices and drilling activity in the WCSB; and (ii) relating to the Corporation's business plan and operational outlook.

Forward-looking statements respecting analysts' forecasts of natural gas prices and drilling activity in the WCSB are based on assumptions made by such analysts that are unknown to the Corporation.

Forward-looking statements respecting the Corporation's business plan and operational outlook are based on various assumptions and factors, including: (i) that the sources of funding which Technicoil has relied upon in the past will continue to be available to it on acceptable terms, (ii) the absence of material changes in economic and operating conditions, including, but not limited to, commodity prices, (iii) the availability and cost of labour, and (iv) no material changes in currency exchange rates, interest rates, the regulatory framework regarding oil and natural gas royalties, environmental legislation and weather conditions.

Management of the Corporation believes that such forward-looking statements are subject to certain risks, including unanticipated changes to geopolitical conditions, economic conditions, fluctuations in currency exchange and interest rates, weather conditions, the production and storage levels of natural gas, the level of consumer demand, the price and availability of alternative fuels, the effect of energy conservation measures and government regulations.

The forward-looking statements contained in this MD&A are made as of the date hereof and the Corporation does not undertake any obligation to publicly update or revise any of the included forward-looking statements, except as required by applicable Canadian securities law. Forward-looking statements are based upon the opinions and expectations of management of the Corporation as at the effective date of such statements and, in some cases, information supplied by third parties. Although the Corporation believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and that information received from third parties is reliable, it can give no assurance that those expectations will prove to have been correct. Forward-looking statements are subject to certain risks and uncertainties that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this MD&A and such forward-looking statements should not be interpreted or regarded as guarantees of future outcomes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of Technicoil Corporation's ("Technicoil" or the "Corporation") financial condition and operating results for the three month period ended March 31, 2011, which has been prepared with information available up to and as at May 9, 2011. This discussion should not be considered exhaustive as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other matters may occur which could affect the Corporation in the future. This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and related notes for the year ended December 31, 2010, which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Additional information relating to Technicoil, including the Corporation's annual information form for the year ended December 31, 2010, can be found on SEDAR at www.sedar.com.

Technicoil is an oilfield services company operating in the Western Canadian Sedimentary Basin ("WCSB"). The Corporation's business is conducted through two segments: Well Servicing and Drilling.

SELECT FINANCIAL & OPERATING INFORMATION

(\$ thousands except per share data) (unaudited)	Three months ended March 31		
	2011	2010	Change
Revenue	\$ 34,760	\$ 24,521	42%
Gross margin	\$ 12,483	\$ 8,288	51%
Gross margin %	36%	34%	6%
General and administrative expenses	\$ 1,035	\$ 871	19%
EBITDA ¹	\$ 11,456	\$ 7,423	54%
Net income (loss)	\$ 4,314	\$ 3,433	26%
Per share – basic	\$ 0.06	\$ 0.05	20%
Per share – diluted	\$ 0.06	\$ 0.05	20%
Funds flow from operations ¹	\$ 11,448	\$ 7,422	54%
Well servicing operating hours	25,634	17,902	43%
Drilling operating days	341	312	9%
	As at	As at	
	March 31,	December 31,	
	2011	2010	Change
Total assets	\$ 97,283	\$ 92,421	5%
Loans and borrowing (including current portion)	\$ 288	\$ 357	(19%)

¹ See 'Financial Measures Reconciliations' on page 16 for the Corporation's definitions of these measures.



MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW OF RESULTS

Technicoil achieved record quarterly results in the first quarter of 2011, with both operating segments contributing to the improvement in comparison with the same period of the prior year. The ability to leverage the diversity of the Corporation's service offering across the WCSB contributed to the strong results. Technicoil's achievements during the first quarter included:

- Achieved record quarterly revenue and EBITDA of \$34.8 million and \$11.5 million, respectively, on 25,634 well servicing operating hours and 341 drilling operating days;
- Improved gross margin by 51% in comparison with the first quarter of the prior year. Gross margin for the first quarter of 2011 was \$12.5 million or 36% of revenue in comparison with \$8.3 million or 34% of revenue in the first quarter of the prior year;
- Increased utilization in the Well Servicing Segment, achieving record quarterly operating hours for this segment of 25,634 as a result of rigless completions and drilling support for steam assisted gravity drainage ("SAGD") operations by the coiled tubing rig fleet, and conventional well services performed by the Storm Service Rigs fleet;
- Adapted to the shifting focus of exploration and development companies towards oil resulting in the hybrid drilling rig fleet exclusively servicing oil opportunities during the period;
- Reported record quarterly net earnings of \$4.3 million or \$0.06 per share;
- Remained debt-free with no drawings against either the operating or long-term debt facilities, exiting the quarter with positive working capital of \$12.3 million, including \$0.4 million of cash, providing financial flexibility to facilitate the Corporation's capital program;
- Commenced operations of the Corporation's pumping division within the Well Servicing Segment; and
- Announced a \$20.4 million capital program for 2011, including \$12.4 million for further expansion of the Corporation's pumping division.

Effective January 1, 2011, Technicoil began reporting its financial results in accordance with International Financial Reporting Standards ("IFRS"). The Corporation's accounting policies have changed and the presentation, financial statement captions and terminology used in this MD&A and the accompanying unaudited financial statements differ from those used in previously issued financial statements and quarterly and annual reports. The new policies have been consistently applied to all years presented in this MD&A and all prior period information has been restated or reclassified for comparative purposes unless otherwise noted. Further details on the conversion to IFRS are provided in this MD&A and in the notes to the unaudited consolidated financial statements as at and for the quarter ended March 31, 2011.

Activity in the oil and gas services industry remained robust in the first quarter of 2011 as a result of strong crude oil commodity prices and access to capital. Drilling utilization in the WCSB averaged 67% as reported by the Canadian Association of Oilwell Drilling Contractors ("CAODC"), resulting in 3,889 wells being drilled in the WCSB. In comparison with the first quarter of the prior year, the number of wells drilled increased by 7%, however on a "meters-drilled" basis, activity increased by 15%. Exploration and development companies continue to invest in oil prospects due to high

commodity prices and exploitable formations using horizontal drilling and multi-stage fracturing. The continued shift in the typical well profile towards horizontal wells with multi-stage fracs will benefit service companies, such as Technicoil, with rig fleets that are capable of servicing these longer reach wells.

Subsequent to the end of the quarter, the Corporation and Essential Energy Services Ltd. ("Essential") announced that they have entered into a definitive arrangement agreement providing for the combination of their businesses. The combination will be effected by way of a plan of arrangement (the "Arrangement") under the Business Corporation Act (Alberta) whereby Technicoil shareholders will receive 0.7111 of a common share of Essential and \$0.80 cash for each Technicoil common share held. The transaction is an ideal opportunity to combine Technicoil's business with a significant industry service provider, creating a company that will be a leader in the growing coiled tubing well services sector. The combined entity will represent the largest independent provider of coiled tubing and nitrogen well services in Canada, including the most versatile mastered coiled tubing rig fleet available. Together with Essential's multi-stage fracturing system, the combined entity will be a leader in the market for completions and work-overs on horizontal wells. The combined entity will operate the sixth largest conventional well service rig fleet in Western Canada.

FINANCIAL AND OPERATING RESULTS

For the three months ended March 31, 2011

Revenue

The Corporation reported revenue of \$34.8 million for the three month period ended March 31, 2011, surpassing its highest quarter ever prior reported in the fourth quarter of 2010. In comparison with the first quarter of the prior year, revenue increased by 42%. Both the Well Servicing Segment and the Drilling Segment contributed to the improvement, recording revenue increases of 46% and 27%, respectively. Revenue rates during the quarter averaged \$1,097 per operating hour for the Well Servicing Segment and \$19,449 per operating day for the Drilling Segment.

The Well Servicing Segment achieved record quarterly operating hours of 25,634, representing an increase of 43% in comparison with the first quarter of 2010. The significant increase in operating hours is primarily a result of a greater proportion of the coiled tubing service rig fleet operating 24 hours per day resulting in higher utilization. The Corporation had 15 coiled tubing service rigs staffed and capable of operating 24 hours per day during the first quarter of 2011 in comparison with approximately nine in the first quarter of the prior year. The majority of operations performed by the coil tubing service rig fleet include rigless completions of multi-stage horizontal wells, both oil and gas, and support for steam assisted gravity drainage ("SAGD") drilling operations. A significant shift in the operational focus of the coiled tubing rigs occurred in comparison with the same period of the prior year, with the majority of equipment operating in oil plays as exploration and development companies shift their resources to oil developments. Utilization of the Corporation's conventional service rig fleet was consistent with the prior year, exceeding industry average. This fleet has also shifted towards oil opportunities, including the oil sands, with certain rigs operating 24 hours per day. Activity levels improved for the Drilling Segment, which recorded 341 operating days in the first quarter of 2011 in comparison with 312 operating days for the same period of the prior year. Activity for the drilling fleet was focused on heavy oil developments and coring in the oil sands during the quarter.

MANAGEMENT'S DISCUSSION & ANALYSIS

Gross Margin

Technicoil realized a record gross margin of \$12.5 million in the first quarter of 2011, an increase of 51% in comparison with the same period of the prior year. The improvement in gross margin is a result of higher utilization across both the Well Servicing and Drilling segments and an improvement in pricing fundamentals. As a percentage of revenue, gross margin improved to 36% from 34% in the same period of the prior year.

General and Administrative Expense and Share Based Payments Expense

General and administrative ("G&A") expense was \$1.0 million for the three months ended March 31, 2011 in comparison with \$0.9 million for the comparable period of the prior year. The increase is primarily attributable to costs incurred pertaining to the proposed Arrangement to combine the businesses of Technicoil and Essential, and an increase in office and related overhead costs. As a percentage of revenue, G&A expense decreased from 3.6% of revenue in the first quarter of 2010 to 3.0% in the current quarter.

The Corporation recorded a share based payments expense of \$2.5 million in the first quarter of 2011 as a result of revaluing the liability pertaining to outstanding options as at March 31, 2011. As at March 31, 2011, the Corporation had 3,869,999 options outstanding.

EBITDA

The impact of the above items resulted in the Corporation achieving record quarterly EBITDA of \$11.5 million in the first quarter of 2011, or 33% of revenue, an increase from \$7.4 million, or 30% of revenue, for the same period of the prior year. The primary driver of the improvement in EBITDA is the continued geographic expansion of rigless completions by the coil tubing service rigs, operating 24 hours per day, resulting in higher operating hours. Improved results of both the conventional service rigs and drilling rig fleets also contributed to the improvement.

Depreciation and Amortization

Depreciation and amortization expense was \$2.2 million in the first quarter of 2011, a decrease from \$2.5 million for the same period of the prior year. The decrease is a result of intangible assets becoming fully amortized in the third quarter of 2010, and lower depreciation expense on older equipment more than offsetting the impact on depreciation of the net capital expenditure programs.

Other Items

Net financing costs were less than \$0.1 million in the first quarter of 2011, a decrease from \$0.2 million in comparison with the same period of the prior year. The reduction is primarily a result of the Corporation having fully repaid its long-term debt facility in May 2010. The net financing costs relate primarily to standby fees on the unutilized portion of the banking facilities and amortization of the annual facility renewal costs.

The Corporation recorded income tax expense of \$2.4 million in the first quarter of 2011 in comparison with \$1.2 million in the comparable period of the prior year. The effective tax rate for the quarter of 36% is higher than the statutory rate primarily as a result of non-deductible permanent differences, including the share based payments expense.

Technicoil reported record quarterly net income of \$4.3 million, or \$0.06 per share, for the three months ended March 31, 2011, an increase from \$3.4 million, or \$0.05 per share, for the same period of the prior year. The significant improvement in comparison with the same period of the prior year is primarily a result of the record quarterly operating hours achieved by the Well Servicing Segment, improved pricing fundamentals and cost efficiencies.

SEGMENTED RESULTS

Well Servicing Segment

The Well Servicing Segment provides coiled tubing and conventional service rigs to the WCSB. Well Servicing is the largest segment of the Corporation. The key performance indicators for this segment include rig utilization, revenue and gross margin percentage. At March 31, 2011, the Corporation had a modern rig fleet comprised of 17 coil tubing service rigs and nine conventional service rigs, with an average age of approximately five years. In addition, the Corporation has two TMX Xcelerator units. The Xcelerator units are used to pull and replace continuous rod strings in wells. The operational footprint of the Well Servicing Segment spans the key resource plays in the WCSB from northeastern British Columbia to southwestern Manitoba.

The Corporation commenced its pumping operations in the first quarter of 2011. The pumping equipment will initially complement the Corporation's rigless completion activities performed by the coiled tubing service rigs in the resource plays. One pumping unit began operations during the quarter, while four additional units will be field ready after spring break-up. The Corporation intends to invest an additional \$12.4 million in the pumping operation in 2011 enabling the majority of its coiled tubing service rig fleet to provide a more comprehensive service offering.

The Corporation's coil tubing service rigs are capable of servicing the horizontal wells that dominate activity in the WCSB. This equipment provides services such as rigless completions and various other well services performed on new oil and gas wells, such as the setting of plugs, perforations and drill outs. The Corporation also deploys its coil tubing service rigs in SAGD drilling operations in addition to offering the traditional fracturing through coil applications. The Corporation's modern fleet of conventional service rigs provides services such as completions, production work, work overs and abandonments.

Three months ended March 31 (\$ thousands except for revenue per operating hour)(unaudited)	2011	2010	Variance	% Change
Well servicing revenue	\$ 28,128	\$ 19,314	\$ 8,814	46%
Operating expenses	17,959	12,503	5,456	44%
Gross margin	\$ 10,169	\$ 6,811	\$ 3,358	49%
Gross margin %	36%	35%	1%	3%
Operating hours	25,634	17,902	7,732	43%
Revenue per operating hour	\$ 1,097	\$ 1,079	\$ 18	2%
Number of wells serviced during the period	612	510	102	20%

MANAGEMENT'S DISCUSSION & ANALYSIS

The Well Servicing segment generated record quarterly revenue of \$28.1 million for the three months ended March 31, 2011, an increase of 46% in comparison with the same period of the prior year. On a per hour basis, revenue increased marginally to \$1,097.

The significant improvement in revenue is largely attributable to a 43% increase in operating hours. The Corporation's coiled tubing service rigs remain industry leaders in providing completion services for multi-stage horizontal wells. With continued robust crude oil prices, exploration and production companies continue to shift their capital programs towards oil developments using horizontal drilling and multistage fracturing. Technicoil responded by redeploying the coiled tubing rigs to service primarily oil opportunities including the Bakken, Shaunavon, and Cardium, while continuing to service, albeit at a lesser pace, shale gas opportunities in northeastern British Columbia. Technicoil's fleet of coiled tubing service rigs generally operate 24 hours per day. During the first quarter of 2011, the Corporation commenced its complementary pumping operation, displacing third party service providers Technicoil was previously reliant upon. While only one of the initial five units was operational in the quarter, an additional four units will be operational post spring break-up. Utilization of the Corporation's conventional service rig fleet remained robust, with an increased focus on oil opportunities including the oil sands where the Corporation has one rig operating 24 hours per day. Technicoil's diversity enabled the Corporation to service activity across the entire WCSB, resulting in revenue generated from outside Alberta accounting for 62% of activity for the Well Servicing segment, including 17% in British Columbia and 45% from the combined Saskatchewan and Manitoba region.

Gross margin for the Well Servicing segment increased by 49% to \$10.2 million or 36% of revenue in the first quarter of 2011 in comparison with \$6.8 million or 35% for the same period of the prior year. The improvement in gross margin is a result of increased utilization.

Drilling Segment

The Drilling Segment provides hybrid drilling rigs to the WCSB. Results of the Drilling Segment tend to be more volatile than the Well Servicing Segment 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 segment include rig utilization, revenue and gross margin percentage. At March 31, 2011, the Corporation had five drilling rigs available with an average age of approximately five years. The Corporation's hybrid drilling rigs are capable of drilling with both jointed pipe or coiled tubing. The majority of activity for these rigs includes drilling shallow natural gas wells, heavy oil wells, oil sands coring and shallow directional drilling.

Three months ended March 31 (\$ thousands except for revenue per operating day)(unaudited)	2011	2010	Variance	Change
Drilling revenue	\$ 6,632	\$ 5,207	\$ 1,425	27%
Operating expenses	4,318	3,730	588	16%
Gross margin	\$ 2,314	\$ 1,477	\$ 837	57%
Gross margin %	35%	28%	7%	25%
Utilization % ¹	76%	58%	18%	31%
Operating days	341	312	29	9%
Revenue per operating day	\$ 19,449	\$ 16,689	\$ 2,760	17%
Number of wells drilled during the period	86	149	(63)	(42%)

¹ Utilization % for the Corporation's drilling rigs is defined as the number of spud to rig release days for the period divided by the number of rig days for the period calculated from the date of possession.

Drilling rig utilization for the industry as reported by the CAODC averaged 67% in first quarter of 2011, an increase from 52% in comparison with the same period of 2010, resulting in 3,889 wells drilled (source: Nickle's Daily Oil Bulletin) in the WCSB. The majority of drilling activity in the WCSB continues to be directed towards deeper horizontal wells that the Corporation's rigs are not capable of performing. Over the past five years, the average depth of a well drilled in the WCSB has increased by 48% to 1,760 meters. Development activity directed towards oil, including heavy oil and oil sands coring programs, are increasing as a result of more sustainable oil commodity prices. These markets are serviced by the Corporation's drilling rigs.

Technicoil recorded \$6.6 million in revenue for the Drilling Segment in the first quarter of 2011, an increase of 27% in comparison with the same period of the prior year. The improvement in revenue is attributable to an increase in operating days and improved pricing fundamentals. Revenue per operating day increased from \$16,689 to \$19,449. The Corporation's revenue per operating day includes revenues from supporting services, many of which are pass-through cost items charged to the customer such as fuel and crew subsistence. The Corporation recorded a gross margin of \$2.3 million or 35% of revenue in comparison with \$1.5 million or 28% of revenue for the same period of the prior year. The improvement in gross margin was a result of increased activity and improved pricing fundamentals more than offsetting a marginal increase in per hour operating costs. The Corporation had all five drilling rigs operating during the quarter, with activity focused exclusively on oil plays including coring in the oil sands.

MANAGEMENT'S DISCUSSION & ANALYSIS

SUMMARY OF QUARTERLY RESULTS

The following table provides a summary of Technicoil's results for the eight most recent quarters.

(\$ thousands except per share data) (unaudited)	2011		2010				2009 ¹	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$ 34,760	\$ 31,859	\$ 22,995	\$ 15,216	\$ 24,521	\$ 15,191	\$ 10,167	\$ 3,441
Gross margin	\$ 12,483	\$ 10,146	\$ 7,113	\$ 3,872	\$ 8,288	\$ 3,692	\$ 2,945	\$(1,088)
Gross margin %	36%	32%	31%	25%	34%	24%	29%	(32%)
G & A expenses	\$ 1,035	\$ 972	\$ 823	\$ 813	\$ 871	\$ 575	\$ 552	\$ 720
EBITDA ²	\$ 11,456	\$ 9,217	\$ 6,252	\$ 3,272	\$ 7,423	\$ 3,201	\$ 2,210	\$(1,824)
Net income (loss) ³	\$ 4,314	\$ 3,706	\$ 2,592	\$ 77	\$ 3,433	\$ (3,440)	\$ (323)	\$(3,276)
Per share – basic	\$ 0.06	\$ 0.05	\$ 0.04	\$ 0.00	\$ 0.05	\$ (0.05)	\$ 0.00	\$ (0.05)
Per share – diluted	\$ 0.06	\$ 0.05	\$ 0.04	\$ 0.00	\$ 0.05	\$ (0.05)	\$ 0.00	\$ (0.05)
Funds flow from operations ¹	\$ 11,448	\$ 9,174	\$ 6,326	\$ 3,059	\$ 7,422	\$ 2,660	\$ 1,969	\$(1,706)

¹ Results for periods prior to 2010 are prepared in accordance with Canadian generally accepted accounting principles, prior to the adoption of IFRS. As a result, figures prior to 2010 may not be comparable.

² See "Financial Measures Reconciliations" on page 16 for the Corporation's definitions of these measures.

³ The net loss incurred in the fourth quarter of 2009 is inclusive of an impairment charge on property, plant and equipment of \$3.8 million, net of tax.

The Corporation's results are impacted by seasonal factors. These seasonal factors generally cause high activity levels during the first quarter of a year as frozen ground conditions throughout the province allow for a greater movement of rigs, especially into northern locations which can only be accessed during the winter months. This is generally followed by lower activity levels in the second quarter when road bans are imposed, restricting transportation of heavy equipment on provincial roads while the winter frost comes out of the ground. Activity levels generally improve again in the third and fourth quarters of the calendar year.

Customer demand in the WCSB continued to deteriorate into 2009 as a result of weak commodity prices, the continuance of the global recession and restricted access to capital. Limited shallow drilling activity in the WCSB resulted in the Corporation recording weak results for the Drilling Segment during the second and third quarter of 2009. Drilling activity only partially recovered in the fourth quarter of 2009. Well servicing activity for Technicoil remained more resilient in 2009 as a result of the Corporation's broad service offering and geographic diversification.

Activity levels began to improve in the WCSB commencing in the first quarter of 2010 as a result of stronger commodity prices for oil and increased access to capital. These factors, combined with the repositioning of services into the active resource plays in the WCSB and an increased proportion of Technicoil's rigs running 24 hour operations, contributed to the Corporation recording record financial and operating results in 2010.

Continued strength in the crude oil commodity price and the continued focus of horizontal drilling with multi-stage fracturing resulted in higher demand for oilfield services capable of servicing these during the first quarter of 2010. This, combined with increased demand for Technicoil's drilling equipment, resulted in the Corporation reporting record results for this period.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary sources of liquidity and capital resources are funds generated from continuing operations and banking facilities. The Corporation expects to generate sufficient cash from operations to fund liabilities as they become due and finance planned investing activity throughout 2011. Additional liquidity, if necessary, is available under the Corporation's credit facilities.

The Corporation's credit facilities are comprised of a \$4 million revolving operating facility and a \$21 million revolving term facility. The credit facilities mature on May 27, 2011 and are extendable at the banks' option in May of each year. To the extent the revolving term facility is not renewed, the outstanding balance becomes repayable over a two year period, based on a two year amortization schedule. The financial terms of the facilities enable the Corporation to borrow by either floating prime rate based advances or through Bankers' Acceptances in Canadian dollars. Depending on certain financial ratios, the facilities bear interest at the bankers' prime rate plus 1.00% to 3.00% or the bankers' acceptance rate plus a stamping fee of 2.50% to 4.25%. The credit facilities require the Corporation to maintain certain covenants. The Corporation was in compliance with the covenants at March 31, 2011 and as at May 9, 2011.

Technicoil's financial position is strong. The Corporation had no drawings against either its operating facility or revolving term facility as at March 31, 2011 or December 31, 2010. As at May 9, 2011, Technicoil had 72,755,515 common shares issued and outstanding.

Operating Activities

The Corporation generated cash flow from operating activities of \$8.6 million in the first quarter of 2011 compared with \$4.9 million for the same period of the prior year. Adjusting for changes in non-cash working capital, the Corporation generated \$11.4 million in funds flow during the period, an increase from \$7.4 million in the comparable period of the prior year. Record operating hours by the Well Servicing Segment, improved pricing fundamentals and cost efficiencies contributed to the improvement.

Financing Activities

The Corporation issued 10,000 shares upon the exercise of stock options during the first quarter of 2011 for nominal proceeds. Other financing transactions during the period related to the amortization of transaction costs for loans and borrowings and the payment of finance lease obligations, totalling \$0.1 million in aggregate.

Investing Activities

The Corporation invested \$4.8 million in property, plant and equipment during the first three months of 2011. The capital expenditures included \$3.4 million related to the pumping services capital program and other capital initiatives of \$1.4 million. During the quarter the Corporation disposed of underutilized and redundant assets, generating proceeds of \$40,000.

MANAGEMENT'S DISCUSSION & ANALYSIS

RISKS AND UNCERTAINTIES

The Corporation provides well servicing and drilling services to the oil and gas industry in Canada. The demand, price and terms of services are dependent on the level of activity in this industry, which in turn depends on several factors, including crude oil, natural gas and other commodity prices, markets and storage levels; expected rates of production and production declines; discovery of new oil and natural gas reserves; availability of capital and financing; exploration and production costs; pipeline capacity and availability; manufacturing capacity and availability of supplies for rig construction; and Government imposed royalties and taxes. A further discussion of the business risks faced by the Corporation can be found in Technicoil's MD&A for the year ended December 31, 2010, and the Corporation's annual information form dated March 14, 2011, both of which are available on SEDAR at www.sedar.com.

The majority of the Corporation's accounts receivable is with customers in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices and other general economic factors. The Corporation's customers are subject to an internal credit review along with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. At March 31, 2011 the Corporation's accounts receivable are aged as follows:

<i>(\$ thousands) (unaudited)</i>	
Current	\$ 11,777
31 to 60 days outstanding	8,964
61 to 90 days outstanding	4,995
Greater than 90 days outstanding	2,842
	<u>28,578</u>
Less allowance for doubtful accounts	(256)
Accounts receivable	<u>\$ 28,322</u>

The carrying amount of accounts receivable reflects management's assessment of the credit risk associated with these customers.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures and internal controls over financial reporting. During the period ended March 31, 2011, there were no changes that materially affected, or are reasonably likely to materially affect, the disclosure controls or internal controls over financial reporting of the Corporation.

ACCOUNTING STANDARDS PENDING ADOPTION

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated interim financial statements. None of these are expected to have an effect on the consolidated financial statements of the Corporation, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Corporation's 2013 consolidated financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact is not expected to be significant.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective January 1, 2011, the Corporation adopted International Financial Reporting Standards. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. The adoption of IFRS required the restatement, for comparative purposes, of amounts reported by Technicoil for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010.

The Corporation's accounting policies under IFRS differ from those previously followed under Canadian GAAP. The new policies have been consistently applied to all periods presented in this MD&A and all prior period information has been restated or reclassified for comparative purposes unless otherwise noted. The adjustments arising from events and transactions relating to the transition to IFRS on January 1, 2010 are recognized directly into opening retained earnings (or, if appropriate, another category of equity or a balance sheet adjustment) at that date.

The Corporation's conversion project consisted of the following phases: scoping and diagnostics, impact analysis and evaluation, and implementation. Regular progress reporting to the Audit Committee of the Board of Directors on the status of IFRS occurred throughout the project. Technicoil has now completed the IFRS conversion project.

Note 12 to the consolidated interim financial statements provides more detail on our key Canadian GAAP to IFRS differences, the accounting policy decisions and IFRS 1 *First-Time Adoption of International Financial Reporting Standards*, optional exemptions for significant or potentially significant areas that have had an impact on the financial statements on transition to IFRS.

The following is a summary of the areas identified with the most potential impact to Technicoil:

- **Property, plant and equipment** – The carrying value of property, plant and equipment was impacted by several changes under IFRS. Under IFRS, each significant component of an item of property, plant and equipment shall be depreciated separately. The impairment of property, plant and equipment is calculated at a more granular level than what is currently required under Canadian GAAP. Additionally, the assessment of impairment under IFRS is completed using a one step test where the recoverable amount is based on discounted cash flows unlike previous Canadian GAAP where the test is a two step process with the initial need for impairment assessed on an undiscounted basis. As a result of these changes, the net book value of property, plant and equipment was decreased by \$11.7 million as at January 1, 2010. The decrease includes a \$6.8 million impairment charge recorded at January 1, 2010 that was not previously recognized under Canadian GAAP pertaining to hybrid drilling rigs.

MANAGEMENT'S DISCUSSION & ANALYSIS

- **Leases** – Under IFRS, leases are classified as either operating or finance leases based on guidelines as opposed to specific quantitative and qualitative criteria under Canadian GAAP. The Corporation's fleet of vehicle leases was classified as finance leases upon adoption of IFRS. As a result, the Corporation recorded an increase in property, plant and equipment of \$0.5 million and the recognition of an obligation under capital lease of \$0.5 million as at January 1, 2010.
- **Share based payments** – IFRS requires the Corporation's stock options to be valued at fair value, as opposed to a market basis known as intrinsic value under Canadian GAAP. The adoption of the IFRS standard resulted in a \$0.4 million increase to liabilities as at January 1, 2010 with the offset to retained earnings.

The transition to IFRS requires the Corporation to apply IFRS 1 *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1"), which details the requirements for preparing IFRS-compliant financial statements in the first reporting period after the date of transition. IFRS 1 provides entities adopting IFRS for the first time with a number of optional and mandatory exemptions in certain areas to the general requirement of full retrospective application of IFRS. Based on management's analysis of the various accounting policy choices available, the IFRS 1 elections relevant to Technicoil are as follows:

- **Property, plant and equipment** – IFRS 1 allows Technicoil to elect to have fair value or revaluation amounts as the deemed cost of property, plant and equipment at the date of transition. The Corporation did not elect to utilize this transitional provision and recorded property, plant and equipment at cost upon adoption of IFRS.
- **Business combinations** – IFRS 1 allows Technicoil to use the standards for business combinations under IFRS 3 *Business Combinations* on a prospective basis rather than re-stating all past business combinations. Technicoil's only business combination (the acquisition of Storm Service Rigs) was completed on August 1, 2007. The Corporation utilized this exemption under IFRS 1 and accordingly did not restate its business combination accounting.
- **Share based payments** – IFRS 1 allows an exemption to IFRS 2 *Share Based Payments* for equity instruments, such as the Corporation's stock options, granted on or before November 2, 2002 or which vested before the transition date to IFRS. The Corporation utilized this exemption upon adoption of IFRS which resulted in a reduction of share capital and contributed surplus of \$0.4 million and \$2.2 million, respectively, at January 1, 2010, with the offset to retained earnings, resulting from the reversal of entries previously recorded under Canadian GAAP.

MANAGEMENT'S DISCUSSION & ANALYSIS

As a result of the policy choices selected by Technicoil, the Corporation recorded a reduction in retained earnings of \$6.6 million as at January 1, 2010. The table below outlines the adjustment to retained earnings upon adoption of IFRS on January 1, 2010, March 31, 2010 and December 31, 2010 for comparative purposes.

	As at January 1, 2010	As at March 31, 2010	As at December 31, 2010
<i>(\$ thousands) (unaudited)</i>			
Retained earnings under Canadian GAAP	\$ 12,025	\$ 15,633	\$ 22,117
Retained earnings adjustments:			
Property, plant & equipment	(11,675)	(11,880)	(12,126)
Finance leases	(10)	(9)	(2)
Share based payments	2,196	2,181	2,385
Taxes arising from IFRS policy decisions	2,928	2,972	3,032
Total IFRS adjustments to retained earnings	(6,561)	(6,736)	(6,711)
Retained earnings under IFRS	\$ 5,464	\$ 8,897	\$ 15,406

As a result of the policy choices selected by Technicoil and changes that were required under IFRS, the Corporation recorded a decrease in net earnings of \$0.2 million and \$0.2 million for the three months ended March 31, 2010 and the year end December 31, 2010, respectively. The following is a summary of the adjustment to the consolidated statement of comprehensive income for the three months ended March 31, 2010 and the year ended December 31, 2010.

	Three months ended March 31, 2010	Year ended December 31, 2010
<i>(\$ thousands) (unaudited)</i>		
Comprehensive income under Canadian GAAP	\$ 3,608	\$ 10,092
Adjustments:		
Property, plant & equipment	(205)	(451)
Finance leases	1	8
Share based payments	(15)	189
Taxes arising from IFRS policy decisions	44	104
Total IFRS adjustments	(175)	(150)
Comprehensive income under IFRS	\$ 3,433	\$ 9,942

OUTLOOK

Activity levels in the WCSB remained robust in the first quarter of 2011. Industry groups are forecasting approximately 13,000 wells to be drilled in the WCSB in 2011, up from 12,112 in 2010. The type of wells being drilled has resulted in an increase in the average number of days to drill a well. Oil development is anticipated to dominate activity as a result of the relative strength of crude oil prices in comparison with natural gas prices.

Technicoil continues to seize market opportunities. The Corporation's versatile masthead coil tubing rigs are well suited to provide rigless completion services to the growing trend of horizontal wells with multi-stage fracturing techniques. These rigs actively service the key resource plays, both oil and natural gas, across the entire WCSB. Complementing these rigs is

MANAGEMENT'S DISCUSSION & ANALYSIS

the continued expansion of the Corporation's pumping services. In March 2011, Technicoil announced a capital budget of \$20 million, including \$12.4 million pertaining to additional pumping equipment to complement the rigless completion activities of the coil tubing rig fleet. The conventional service rig fleet is also capitalizing on the changing trends in the market, which encompasses providing 24 hour operations in the oil sands. Technicoil's drilling rigs were active first quarter of 2011, providing coring in the oil sands and heavy oil drilling programs. While the oil sands coring activity is generally winter-access only, continued strength in crude oil prices and growing demand for the development and exploitation of heavy oil prospects provides a positive indicator that activity for the Technicoil's drilling rigs will be more active post spring break-up than in recent years.

FINANCIAL MEASURES RECONCILIATIONS

This MD&A contains references to certain financial measures that do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. These measures are computed on a consistent basis for each reporting period and include EBITDA and funds flow from operations. These financial measures are identified and defined as follows:

"**EBITDA**" is a measure of the Corporation's operating profitability. EBITDA provides an indication of the results generated by the Corporation's principal business activities prior to how these activities are financed including the impact of share based payments, how assets are depreciated, amortized or impaired, or how the results are taxed. The Corporation calculates EBITDA as follows:

(\$ thousands) (unaudited)	Three months ended March 31	
	2011	2010
Net profit before income tax	\$ 6,752	\$ 4,616
Add: Depreciation and amortization	2,170	2,540
Net finance costs	51	225
Share based payments expense	2,483	42
EBITDA	\$ 11,456	\$ 7,423

"**Funds flow from operations**" is defined as cash from operating activities before changes in non-cash working capital from operating activities. Management believes 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. The Corporation calculates funds flow from operations as follows:

(\$ thousands) (unaudited)	Three months ended March 31	
	2011	2010
Cash generated from operating activities	\$ 8,617	\$ 4,858
Add: Net change in non-cash working capital from operations	2,831	2,564
Funds flow from operations	\$ 11,448	\$ 7,422

2011 FIRST QUARTER FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Thousands) (unaudited)</i>	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash	\$ 390	\$ 837	\$ –
Trade and other receivables	28,322	26,011	11,562
Income taxes receivable	–	–	134
Inventories	2,148	1,593	2,231
Prepayments	344	536	579
	31,204	28,977	14,506
Non-current assets:			
Intangible assets	–	–	369
Property, plant and equipment	66,079	63,444	65,135
	66,079	63,444	65,504
Total assets	\$ 97,283	\$ 92,421	\$ 80,010
Liabilities			
Current liabilities:			
Bank operating loan	\$ –	\$ –	\$ 740
Trade and other payables	11,955	12,594	6,730
Income taxes payable	1,978	3,131	–
Current portion of loans and borrowings	257	278	2,878
Share based payments liability	4,715	2,252	523
	18,905	18,255	10,871
Non-current liabilities:			
Loans and borrowings	31	79	6,381
Deferred tax liability	7,439	7,518	6,227
	7,470	7,597	12,608
Total liabilities	26,375	25,852	23,479
Subsequent event			Note 11
Equity			
Share capital	51,188	51,163	51,067
Retained earnings	19,720	15,406	5,464
Total equity	70,908	66,569	56,531
Total liabilities and equity	\$ 97,283	\$ 92,421	\$ 80,010

See accompanying notes to condensed consolidated financial statements.

2011 FIRST QUARTER FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month period ended

<i>(Thousands) (unaudited)</i>	March 31, 2011	March 31, 2010
Revenue	\$ 34,760	\$ 24,521
Operating expenses	22,277	16,233
Gross margin	12,483	8,288
General and administrative expenses	1,035	871
Bad debt recovery	–	(5)
Share based payment expense	2,483	42
Depreciation and amortization	2,170	2,540
Gain on sale of assets	(8)	(1)
Net finance costs	51	225
Profit before income tax	6,752	4,616
Income tax expense	2,438	1,183
Profit and total comprehensive income for the period	\$ 4,314	\$ 3,433
Earnings per share		
Basic	\$ 0.06	\$ 0.05
Diluted	\$ 0.06	\$ 0.05

See accompanying notes to condensed consolidated financial statements.

2011 FIRST QUARTER FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(Thousands)(unaudited)</i>	Share Capital	Retained Earnings	Total Equity
Balance at January 1, 2010	\$ 51,067	\$ 5,464	\$ 56,531
Profit for the period	–	3,433	3,433
Balance at March 31, 2010	\$ 51,067	\$ 8,897	\$ 59,964
Share options exercised	35	–	35
Share based payment transactions	61	–	61
Profit for the period	–	6,509	6,509
Balance at December 31, 2010	\$ 51,163	\$ 15,406	\$ 66,569
Share options exercised	5	–	5
Share based payment transactions	20	–	20
Profit for the period	–	4,314	4,314
Balance at March 31, 2011	\$ 51,188	\$ 19,720	\$ 70,908

See accompanying notes to condensed consolidated financial statements.

2011 FIRST QUARTER FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three month period ended

<i>(Thousands) (unaudited)</i>	March 31, 2011	March 31, 2010
Cash provided by (used in):		
Operating activities		
Profit for the period	\$ 4,314	\$ 3,433
Adjustments for:		
Depreciation and amortization	2,170	2,540
Gain on sale of property, plant and equipment	(8)	(1)
Share based payment expense	2,483	42
Net finance costs	51	225
Income tax expense	2,438	1,183
	11,448	7,422
Change in:		
Trade and other receivables	(2,311)	(3,283)
Inventories	(555)	186
Prepayments	192	205
Trade and other payables	(157)	328
Cash generated from operating activities	8,617	4,858
Interest paid	(11)	(119)
Income taxes paid	(3,670)	-
Cash flow from operating activities	4,936	4,739
Investing activities		
Interest received	9	1
Acquisition of property, plant and equipment	(4,837)	(587)
Proceeds from sale of property, plant and equipment	40	22
Net change in trade and other payables from the purchase of property, plant and equipment	(482)	(238)
Cash flow from investing activities	(5,270)	(802)
Financing activities		
Proceeds from exercise of share options	5	-
Payment of transaction costs related to loans and borrowings	(49)	(107)
Payment of finance lease liabilities	(69)	(92)
Repayment of revolving term loans	-	(3,255)
Cash flow from financing activities	(113)	(3,454)
Net (decrease) increase in cash	(447)	483
Cash (bank indebtedness), beginning of period	837	(740)
Cash (bank indebtedness), end of period	\$ 390	\$ (257)

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Tabular dollar amounts in thousands, except per share/option amounts.) (unaudited)

1 REPORTING ENTITY

Technicoil Corporation (the “Corporation”) is a public company incorporated under the laws of the Province of Alberta, Canada. The Corporation is listed on the Toronto Stock Exchange, trading under the symbol “TEC”. The condensed consolidated interim financial statements of the Corporation as at and for the three month period ended March 31, 2011 are comprised of the Corporation and its 100% owned subsidiaries (together referred to as the “Corporation”). The Corporation primarily is involved in the business of providing well servicing and drilling services to the oil and gas industry.

The ability to move heavy equipment in Canadian oil and natural gas fields is dependent on weather conditions. There is generally greater demand for oilfield services in the winter season when the occurrence of freezing permits the movement and operations of heavy equipment. Activities tend to increase in the fall and peak in the winter months of November through March. However, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting the Corporation’s revenues. Volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on the Corporation’s business, financial condition, results of operations and cash flows.

2 BASIS OF PRESENTATION

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting*. These are the Corporation’s first condensed consolidated interim financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in note 12.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 9, 2011.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for cash-settled share based payment arrangements which are measured at fair value.

2011 FIRST QUARTER FINANCIAL STATEMENTS

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand except for share and per share amounts.

(d) Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements is included in the following notes:

Note 4 – valuation of trade and other receivables

Note 5 – estimated useful lives of property, plant and equipment

Note 5 – lease classification

Note 7 – inputs used in accounting for share based compensation expense

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS Statement of Financial Position as at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Basis of consolidation

(i) BUSINESS COMBINATIONS

As part of its transition to IFRS, the Corporation elected not to restate its sole business combination dated August 1, 2007. Retained earnings and share capital represents the amount recognized under Canadian GAAP.

(ii) SUBSIDIARIES

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Corporation.

(iii) TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-Corporation balances and transactions, and any unrealized income and expenses arising from intra-Corporation transactions, are eliminated in preparing the condensed consolidated interim financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Corporation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Financial instruments

The Corporation does not have any derivative financial instruments.

(i) NON-DERIVATIVE FINANCIAL ASSETS

The Corporation initially recognizes trade and other receivables on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Corporation's cash balance is classified as a financial asset at fair value through profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Corporation's trade and other receivables are classified as loans and receivables.

2011 FIRST QUARTER FINANCIAL STATEMENTS

(II) NON-DERIVATIVE FINANCIAL LIABILITIES

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Corporation has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(III) SHARE CAPITAL

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(IV) COMPOUND FINANCIAL INSTRUMENTS

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

The Corporation's stock options are classified as compound financial instruments.

(d) Property, plant and equipment

(I) RECOGNITION AND MEASUREMENT

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at January 1, 2010, the date of transition to IFRS, was determined based on the historical cost of the assets.

Cost includes any expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the asset to a working condition for its intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized on a net basis.

(II) SUBSEQUENT COSTS

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(III) DEPRECIATION

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Significant components of individual assets are assessed and any components with different useful lives are depreciated separately from the remainder of the asset.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component and sub-component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives for the current and comparative periods are summarized as follows:

Land	not amortized
Buildings	40 years straight-line
Office and computer equipment	3 years straight-line
Field equipment	2-15 years straight-line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Intangible assets

Intangible assets are comprised of customer relationship assets and non-compete agreements with finite useful lives. Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful lives for the current and comparative periods are summarized as follows:

Customer relationships	3 years straight-line
Non-compete agreements	3 years straight-line

Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

2011 FIRST QUARTER FINANCIAL STATEMENTS

(f) Leases

At inception of an arrangement, the Corporation determines whether such an arrangement is or contains a lease. Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Leases which do not meet the criteria for finance leases are classified as operating leases and are not recognized in the Corporation's Statement of Financial Position.

(I) FINANCE LEASES

Upon initial recognition, the leased asset and liability is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is depreciated in accordance with the accounting policy applicable to that asset. The liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Corporation's incremental borrowing rate. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(II) OPERATING LEASES

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average or specific item basis, depending on the item. Cost includes expenditures incurred in acquiring the inventories, conversion costs (if applicable) and costs to bring the inventories to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of selling expenses.

(h) Impairment

(I) FINANCIAL ASSETS (INCLUDING RECEIVABLES)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

All individually significant receivables are assessed for specific impairment. In assessing impairment, the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(II) NON-FINANCIAL ASSETS

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods for assets other than goodwill are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) *Share based payment transactions*

The Corporation has a stock option plan which provides for the granting of options to Directors, officers and employees. Option holders have the right to elect to receive either common shares or a direct cash payment in exchange for the option exercised equal to the incremental value of the market price of the Corporation's shares versus the exercise price of the options exercised.

2011 FIRST QUARTER FINANCIAL STATEMENTS

The fair value of the amount payable to employees in respect of the stock options which are settled in cash is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in profit or loss.

(j) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(k) Revenue recognition

The Corporation's services are generally sold based on service orders or contacts with customers that include fixed or determinable prices based upon daily, hourly or job rates. The Corporation recognizes revenue as the service is provided to the customer, provided that the sales price has been fixed or is determinable and that collectability is reasonably assured. Generally, services are provided over a relatively short time period.

(l) Finance income and finance costs

Finance income is comprised of interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs are comprised of interest expense on bank indebtedness and borrowings, including finance leases, and borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(m) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss, or for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax

is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per share

The Corporation presents basic and diluted earnings per share (“EPS”) data for its shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options granted to Directors, officers and employees. Diluted earnings per share does not adjust the profit attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(o) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation’s other components. All operating segments’ operating results are reviewed regularly by the Corporation’s CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these condensed consolidated interim financial statements. None of these is expected to have an effect on the condensed consolidated interim financial statements of the Corporation, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Corporation’s 2013 condensed consolidated interim financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact is not expected to be significant.

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4. TRADE AND OTHER RECEIVABLES

	March 31, 2011	December 31, 2010	January 1, 2010
Trade and other receivables	\$ 28,578	\$ 26,267	\$ 11,823
Allowance for doubtful accounts	(256)	(256)	(261)
	\$ 28,322	\$ 26,011	\$ 11,562

The carrying amount of accounts receivable reflects management's assessment of the credit risk associated with these customers. The Corporation establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The movement in the allowance for impairment in respect of trade and other receivables during the reporting period was as follows:

	Impairment allowance
Balance at January 1, 2010	\$ 261
Reversal of allowance due to collection of receivable in 2010	(5)
Balance at December 31, 2010 and March 31, 2011	\$ 256

The allowance for impairment at March 31, 2011 relates to a customer that emerged from bankruptcy protection in 2010. The Corporation is still uncertain as to how it will be impacted as a result of the customer's restructuring.

The maximum exposure to credit risk for trade and other receivables at the reporting date was:

	March 31, 2011	December 31, 2010	January 1, 2010
Current	\$ 11,777	\$ 10,965	\$ 6,398
31-60 days outstanding	8,964	11,071	3,220
61-90 days outstanding	4,995	1,983	830
Greater than 90 days outstanding	2,842	2,248	1,375
	28,578	26,267	11,823
Allowance for doubtful accounts	(256)	(256)	(261)
	\$ 28,322	\$ 26,011	\$ 11,562

Additional disclosures about the Corporation's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in the December 31, 2010 annual financial statement notes.

5. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2011			December 31, 2010			January 1, 2010		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 167	\$ –	\$ 167	\$ 167	\$ –	\$ 167	\$ 167	\$ –	\$ 167
Buildings	632	160	472	632	156	476	632	140	492
Office and computer equipment	1,214	943	271	1,086	908	178	943	806	137
Field equipment	116,885	59,430	57,455	116,083	57,325	58,758	116,120	51,781	64,339
Field equipment under construction	7,714	–	7,714	3,865	–	3,865	–	–	–
	\$ 126,612	\$ 60,533	\$ 66,079	\$ 121,833	\$ 58,389	\$ 63,444	\$ 117,862	\$ 52,727	\$ 65,135

	March 31, 2011	December 31, 2010
Net book value, beginning of period	\$ 63,444	\$ 65,135
Additions	4,837	8,400
Proceeds on disposal	(40)	(1,094)
Gain on disposal	8	183
Depreciation	(2,170)	(9,180)
Net book value, end of period	\$ 66,079	\$ 63,444

Impairment loss

The Corporation performs a test for impairment of property, plant and equipment whenever changes in events or circumstances indicate that the assets may be impaired. There were no impairment indicators at March 31, 2011 or December 31, 2010. No amount of any impairment losses recorded in prior years was reversed in the quarter ended March 31, 2011 or the year ended December 31, 2010.

Leased equipment

The Corporation leases vehicles under a number of finance lease agreements. The Corporation is responsible for reimbursing the lessor for any losses incurred upon termination of the lease. The leased equipment secures the lease obligations (see note 6). At March 31, 2011 the net carrying amount of leased vehicles was \$286 (December 31, 2010 – \$354; January 1, 2010 – \$494).

Capitalized borrowing costs

No amount of borrowing costs related to the construction of new equipment was capitalized in quarter ended March 31, 2011 or the year ended December 31, 2010 as no amount was drawn on the Corporation's debt during that period.

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6. LOANS AND BORROWINGS

The Corporation has a \$21 million (December 31, 2010 – \$21 million) committed revolving term facility available. The facility is renewable in May 2011 at the lenders option. The composition of the Corporation's loans and borrowings at the reporting date is as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Current liabilities			
Current portion of secured revolving term facility	\$ –	\$ –	\$ 2,554
Current portion of finance lease liabilities	257	278	324
	\$ 257	\$ 278	\$ 2,878
Non-current liabilities			
Secured revolving term facility	\$ –	\$ –	\$ 6,201
Finance lease liabilities	31	79	180
	\$ 31	\$ 79	\$ 6,381
Total	\$ 288	\$ 357	\$ 9,259

The facility's covenant and security requirements remain unchanged from the terms disclosed in the notes to the December 31, 2010 annual consolidated financial statements. The Corporation was in compliance with these covenants at March 31, 2011 and as at May 9, 2011.

The Corporation's finance lease liabilities are payable as follows:

	March 31, 2011			December 31, 2010			January 1, 2010		
	Future min lease payments	Interest	Present value of min lease payments	Future min lease payments	Interest	Present value of min lease payments	Future min lease payments	Interest	Present value of min lease payments
Less than 1 yr	\$264	\$7	\$257	\$289	\$11	\$278	\$362	\$38	\$324
1 - 5 yrs	32	1	31	81	2	79	183	3	180
	\$296	\$8	\$288	\$370	\$13	\$357	\$545	\$41	\$504

7. SHARE BASED PAYMENTS

The fair value of the Corporation's stock options at the grant date is determined using the Black-Scholes formula. The fair value of the liability is remeasured at the end of each reporting date and at settlement date. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at the measurement date of the share payment plans are as follows:

	March 31, 2011	December 31, 2010
Measurement date share price	\$ 2.41	\$ 1.48
Average expected life – time to vest plus	2.44 yrs	2.41 yrs
Average risk free interest rate	2.04%	1.85%
Average expected volatility	70.99%	75.37%
Expected dividend yield	0%	0%

8. EARNINGS PER SHARE

Earnings per common share is calculated using the weighted average number of common shares outstanding during the period. The weighted average number of Class A common shares outstanding for the periods are as follows:

	For the three month period ended March 31, 2011		
	Profit	Weighted average shares outstanding	Per share
Basic	\$ 4,314	72,749,515	\$ 0.06
Weighted average options assumed exercised	–	3,826,236	–
Shares assumed purchased	–	(1,610,413)	–
Diluted	\$ 4,314	74,965,338	\$ 0.06

	For the three month period ended March 31, 2010		
	Profit	Weighted average shares outstanding	Per share
Basic	\$ 3,433	72,683,848	\$ 0.05
Weighted average options assumed exercised	–	2,610,126	–
Shares assumed purchased	–	(2,021,683)	–
Diluted	\$ 3,433	73,272,291	\$ 0.05

For the three month period ended March 31, 2011, 50,000 (year ended December 31, 2010 – 901,707) options were excluded from the calculation of diluted weighted average number of shares, as the effect was anti-dilutive. No adjustments were required to reported earnings in computing diluted per share amounts.

9. OPERATING SEGMENTS

The Corporation has two reportable segments, as described below, which are the Corporation's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different processes, technology and marketing strategies. For each of the strategic business units, the Corporation's CEO reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Corporation's reportable segments:

- **Well Servicing** — The Well Servicing segment is comprised of 17 coil tubing service rigs, 9 conventional service rigs, and the Corporation's pumping and continuous rod services.
- **Drilling** — The Drilling segment is comprised of five hybrid drilling rigs.

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Information regarding the results of each reportable segment is included below. Key performance indicators are utilization, revenue and gross margin.

	Three months ended March 31, 2011				Three months ended March 31, 2010			
	Well				Well			
	Servicing	Drilling	Shared	Total	Servicing	Drilling	Shared	Total
Revenue	\$ 28,128	\$ 6,632	–	\$ 34,760	\$ 19,314	\$ 5,207	–	\$ 24,521
Operating expenses	17,959	4,318	–	22,277	12,503	3,730	–	16,233
Gross margin	10,169	2,314	–	12,483	6,811	1,477	–	8,288
Non-segmented costs				8,169				4,855
Profit				\$ 4,314				\$ 3,433

	As at March 31, 2011				As at December 31, 2010			
	Well				Well			
	Servicing	Drilling	Shared	Total	Servicing	Drilling	Shared	Total
Property, plant and equipment	\$ 50,261	\$ 14,268	\$ 1,550	\$ 66,079	\$ 47,080	\$ 15,057	\$ 1,307	\$ 63,444

The Corporation had two customers which each provided at least 10% of the Corporation's total revenue for the three month period ended March 31, 2011. In aggregate, these customers accounted for \$9.8 million of the Corporation's revenue during the three month period ended March 31, 2011 and included revenue from one customer of the Well Servicing segment of \$5.4 million and revenue from one customer common to both operating segments of \$4.4 million. In the comparative period of the prior year, Technicoil had three customers which each provided at least 10% of the Corporation's revenue.

10. RELATED PARTIES

The Corporation's related parties include its two 100% owned subsidiaries, Technicoil USA and 1475145 Alberta Ltd.

For the three month period ended March 31, 2011, there were no (year ended December 31, 2010 - nil) transactions with the Corporation's subsidiaries and no outstanding balances exist at March 31, 2011 (December 31, 2010 – nil).

11. SUBSEQUENT EVENT

On April 4, 2011, subsequent to the end of the quarter, the Corporation and Essential Energy Services Ltd. ("Essential") announced that they have entered into a definitive arrangement agreement providing for the combination of their businesses. The combination will be effected by way of a plan of arrangement (the "Arrangement") under the Business Corporation Act (Alberta) whereby Technicoil shareholders will receive 0.7111 of a common share of Essential and \$0.80 cash for each Technicoil common share held.

12. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2(a), these are the Corporation's first consolidated interim financial statement prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the interim financial statements for the three months ended March 31, 2011, the comparative information presented in these interim financial statements and in the

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preparation of an opening IFRS Statement of Financial Position at January 1, 2010 (the Corporation's date of transition).

An explanation of how the transition from previous Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS has affected the Corporation's financial position, financial performance and cash flows is set out in the following table and notes that accompany the tables. Certain Canadian GAAP figures have been reclassified to the IFRS financial statement presentation.

Reconciliation of Consolidated Statement of Financial Position

As at January 1, 2010

<i>(Thousands) (unaudited)</i>	<i>Note</i>	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets:				
Cash		\$ –	\$ –	\$ –
Trade and other receivables		11,562	–	11,562
Income taxes receivable		134	–	134
Inventories		2,231	–	2,231
Prepayments		579	–	579
		14,506	–	14,506
Non-current assets:				
Intangible assets		369	–	369
Property, plant and equipment	<i>(a),(b)</i>	76,316	(11,181)	65,135
		76,685	(11,181)	65,504
Total assets		\$ 91,191	\$ (11,181)	\$ 80,010
Liabilities				
Current liabilities:				
Bank indebtedness		\$ 740	\$ –	\$ 740
Trade and other payables		6,730	–	6,730
Current portion of loans and borrowings	<i>(b)</i>	2,554	324	2,878
Share based payments liability	<i>(c)</i>	98	425	523
		10,122	749	10,871
Non-current liabilities:				
Loans and borrowings	<i>(b)</i>	6,201	180	6,381
Deferred tax liabilities	<i>(d)</i>	9,155	(2,928)	6,227
		15,356	(2,748)	12,608
Total liabilities		25,478	(1,999)	23,479
Equity				
Share capital	<i>(c)</i>	51,491	(424)	51,067
Contributed surplus	<i>(c)</i>	2,197	(2,197)	–
Retained earnings	<i>(a),(b),(c),(d)</i>	12,025	(6,561)	5,464
Total equity		65,713	(9,182)	56,531
Total liabilities and equity		\$ 91,191	\$ (11,181)	\$ 80,010

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Reconciliation of Consolidated Statement of Financial Position

As at March 31, 2010

<i>(Thousands) (unaudited)</i>	<i>Note</i>	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets:				
Trade and other receivables		\$ 14,845	\$ –	\$ 14,845
Income taxes receivable		134	–	134
Inventories		2,045	–	2,045
Prepayments		374	–	374
		17,398	–	17,398
Non-current assets:				
Intangible assets		211	–	211
Property, plant and equipment	<i>(a),(b)</i>	74,796	(11,378)	63,418
		75,007	(11,378)	63,629
Total assets		\$ 92,405	\$ (11,378)	\$ 81,027
Liabilities				
Current liabilities:				
Bank indebtedness		\$ 257	\$ –	\$ 257
Trade and other payables		6,820	–	6,820
Current portion of loans and borrowings	<i>(b)</i>	2,292	412	2,704
Share based payments liability	<i>(c)</i>	125	440	565
		9,494	852	10,346
Non-current liabilities:				
Loans and borrowings	<i>(b)</i>	3,208	99	3,307
Deferred tax liabilities	<i>(d)</i>	10,382	(2,972)	7,410
		13,590	(2,873)	10,717
Total liabilities		23,084	(2,021)	21,063
Equity				
Share capital	<i>(c)</i>	51,491	(424)	51,067
Contributed surplus	<i>(c)</i>	2,197	(2,197)	–
Retained earnings	<i>(a),(b),(c),(d)</i>	15,633	(6,736)	8,897
Total equity		69,321	(9,357)	59,964
Total liabilities and equity		\$ 92,405	\$ (11,378)	\$ 81,027

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Reconciliation of Consolidated Statement of Financial Position

As at December 31, 2010

<i>(Thousands) (unaudited)</i>	<i>Note</i>	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets:				
Cash		\$ 837	\$ –	\$ 837
Trade and other receivables		26,011	–	26,011
Inventories		1,593	–	1,593
Prepayments		536	–	536
		28,977	–	28,977
Non-current assets:				
Property, plant and equipment	<i>(a),(b)</i>	75,215	(11,771)	63,444
Total assets		\$ 104,192	\$ (11,771)	\$ 92,421
Liabilities				
Current liabilities:				
Trade and other payables		\$ 12,594	–	\$ 12,594
Income taxes payable		3,131	–	3,131
Current portion of loans and borrowings	<i>(b)</i>	–	278	278
Share based payments liability	<i>(c)</i>	2,033	219	2,252
		17,758	497	18,255
Non-current liabilities:				
Loans and borrowings	<i>(b)</i>	–	79	79
Deferred tax liabilities	<i>(d)</i>	10,550	(3,032)	7,518
		10,550	(2,953)	7,597
Total liabilities		28,308	(2,456)	25,852
Equity				
Share capital	<i>(c)</i>	51,570	(407)	51,163
Contributed surplus	<i>(c)</i>	2,197	(2,197)	–
Retained earnings	<i>(a),(b),(c),(d)</i>	22,117	(6,711)	15,406
Total equity		75,884	(9,315)	66,569
Total liabilities and equity		\$ 104,192	\$ (11,771)	\$ 92,421

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Reconciliation of Consolidated Statement of Retained Earnings

<i>(Thousands)(unaudited)</i>	<i>Note</i>	January 1, 2010	March 31, 2010	December 31, 2010
Retained earnings under Canadian GAAP		\$ 12,025	\$ 15,633	\$ 22,117
Impact of property, plant and equipment changes	<i>(a)</i>	(11,675)	(11,880)	(12,126)
Impact of finance leases	<i>(b)</i>	(10)	(9)	(2)
Impact of share based payments	<i>(c)</i>	2,196	2,181	2,385
Impact of income tax	<i>(d)</i>	2,928	2,972	3,032
Retained earnings under IFRS		\$ 5,464	\$ 8,897	\$ 15,406

Reconciliation of Consolidated Statement of Comprehensive Income

For the three month period ended March 31, 2010

<i>(Thousands) (unaudited)</i>	<i>Note</i>	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue		\$ 24,521	\$ –	\$ 24,521
Operating expenses	<i>(b)</i>	16,315	(82)	16,233
Gross margin		8,206	82	8,288
General and administrative expenses		871	–	871
Bad debt recovery		(5)	–	(5)
Share based payment expense	<i>(c)</i>	27	15	42
Depreciation and amortization	<i>(a),(b)</i>	2,265	275	2,540
Gain on sale of assets	<i>(a)</i>	–	(1)	(1)
Net finance costs	<i>(b)</i>	213	12	225
Profit before income tax		4,835	219	4,616
Income tax expense	<i>(d)</i>	1,227	(44)	1,183
Profit and total comprehensive income		\$ 3,608	\$ (175)	\$ 3,433
Earnings per share				
Basic		\$ 0.05	\$ –	\$ 0.05
Diluted		\$ 0.05	\$ –	\$ 0.05

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Reconciliation of Consolidated Statement of Comprehensive Income

For the year ended December 31, 2010

<i>(Thousands) (unaudited)</i>	<i>Note</i>	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue		\$ 94,591	\$ –	\$ 94,591
Operating expenses	<i>(b)</i>	65,497	(325)	65,172
Gross margin		29,094	325	29,419
General and administrative expenses		3,479	–	3,479
Bad debt recovery		(41)	–	(41)
Share based payment expense	<i>(c)</i>	1,979	(189)	1,790
Depreciation and amortization	<i>(a),(b)</i>	8,740	809	9,549
Gain on sale of assets	<i>(a)</i>	(97)	(86)	(183)
Net finance costs	<i>(b)</i>	416	45	461
Profit before income tax		14,618	(254)	14,364
Income tax expense	<i>(d)</i>	4,526	(104)	4,422
Profit and total comprehensive income		\$ 10,092	\$ (150)	\$ 9,942
Earnings per share				
Basic		\$ 0.14	\$ –	\$ 0.14
Diluted		\$ 0.14	\$ (0.01)	\$ 0.13

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Reconciliation of Consolidated Statement of Cash Flows

For the three month period ended March 31, 2010

<i>(Thousands) (unaudited)</i>	<i>Note</i>	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Cash provided by (used in):				
Operating activities				
Profit (loss) for the period		\$ 3,608	\$ (175)	\$ 3,433
Adjustments for:				
Depreciation and amortization	<i>(a),(b)</i>	2,265	275	2,540
Gain on sale of property, plant and equipment	<i>(b)</i>	–	(1)	(1)
Share based payment expense	<i>(c)</i>	27	15	42
Net finance costs	<i>(b)</i>	213	12	225
Income tax expense	<i>(d)</i>	1,227	(44)	1,183
		7,340	82	7,422
Change in:				
Trade and other receivables		(3,283)	–	(3,283)
Inventories		186	–	186
Prepayments		205	–	205
Trade and other payables		328	–	328
Cash generated from operating activities		4,776	–	4,858
Interest paid	<i>(b)</i>	(107)	(12)	(119)
Cash flow from operating activities		4,669	70	4,739
Investing activities				
Interest received		1	–	1
Acquisition of property, plant and equipment		(587)	–	(587)
Proceeds from sale of property, plant and equipment	<i>(b)</i>	–	22	22
Net change in trade and other payables				
from the purchase of property, plant and equipment		(238)	–	(238)
Cash flow from investing activities		(824)	22	(802)
Financing activities				
Payment of transaction costs				
related to loans and borrowings		(107)	–	(107)
Payment of finance lease liabilities	<i>(b)</i>	–	(92)	(92)
Repayment of revolving term loans		(3,255)	–	(3,255)
Cash flow from financing activities		(3,362)	(92)	(3,454)
Net increase in cash		483	–	483
Bank indebtedness, beginning of period		(740)	–	(740)
Bank indebtedness, end of period		\$ (257)	\$ –	\$ (257)

2011 FIRST QUARTER FINANCIAL STATEMENTS

Reconciliation of Consolidated Statement of Cash Flows

For the year ended December 31, 2010

<i>(Thousands) (unaudited)</i>	<i>Note</i>	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
Cash provided by (used in):				
Operating activities				
Profit (loss) for the period		\$ 10,092	(150)	\$ 9,942
Adjustments for:				
Depreciation and amortization	<i>(a),(b)</i>	8,740	809	9,549
Gain on sale of property, plant and equipment	<i>(b)</i>	(97)	(86)	(183)
Share based payment expense	<i>(c)</i>	1,979	(189)	1,790
Net finance costs	<i>(b)</i>	416	45	461
Income tax expense	<i>(d)</i>	4,526	(104)	4,422
		25,656	325	25,981
Change in:				
Trade and other receivables		(14,449)	–	(14,449)
Inventories		638	–	638
Prepayments		43	–	43
Trade and other payables		3,482	–	3,482
Cash generated from operating activities		15,370	325	15,695
Interest paid	<i>(b)</i>	(125)	(45)	(170)
Income taxes recovered		134	–	134
Cash flow from operating activities		15,379	280	15,659
Investing activities				
Interest received		28	–	28
Acquisition of property, plant and equipment		(8,236)	–	(8,236)
Proceeds from sale of property, plant and equipment	<i>(b)</i>	1,063	31	1,094
Net change in trade and other payables				
from the purchase of property, plant and equipment		2,382	–	2,382
Cash flow from investing activities		(4,763)	31	(4,732)
Financing activities				
Proceeds from exercise of share options		35	–	35
Payment of transaction costs				
related to loans and borrowings		(319)	–	(319)
Payment of finance lease liabilities	<i>(b)</i>	–	(311)	(311)
Repayment of revolving term loans		(8,755)	–	(8,755)
Cash flow from financing activities		(9,039)	(311)	(9,350)
Net increase in cash		1,577	–	1,577
Cash (bank indebtedness), beginning of period		(740)	–	(740)
Cash, end of period		\$ 837	–	\$ 837

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Notes to the reconciliations

The Corporation's accounting policies under IFRS differ from those previously followed under Canadian GAAP. The adjustments arising from events and transactions relating to the transition to IFRS on January 1, 2010, are recognized directly into opening retained earnings (or, if appropriate, another category of equity or a balance sheet adjustment) at that date.

(a) Property, plant and equipment

Upon conversion to IFRS, the carrying value of the Corporation's property, plant and equipment was impacted by both the componentization of assets and a change in the impairment calculation method. The effect of these changes is a decrease to property, plant and equipment of \$11,675 at January 1, 2010, with the resulting difference booked to retained earnings.

IFRS 1 allows an entity to select a cost model or a revaluation model as its accounting policy upon transition to IFRS. The Corporation elected to adopt the cost model upon implementation to IFRS.

Under IFRS, the book value of property, plant and equipment must be maintained separately for each significant item even if the combination of those separate items represents one asset for business purposes. The useful life of the asset must be assessed for each component with amortization calculated separately for each item from its inception.

In accordance with IFRS, for purposes of assessing impairment of property, plant and equipment, management has identified cash-generating units ("CGU's") based on the smallest group of assets that are capable of generating largely independent cash inflows. Under previous Canadian GAAP, property, plant and equipment was allocated to a group defined as the lowest level of assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In addition, the impairment analysis is a one step test under IFRS where the recoverable amount is based on discounted cash flows, unlike previous Canadian GAAP where the test is a two step process with the initial need for impairment assessed on an undiscounted basis with the recoverable amount calculated, if necessary, using discounted cash flows.

A \$6.8 million impairment charge was recorded at January 1, 2010 under IFRS that was not previously required under Canadian GAAP. Management determined that the carrying value of certain drilling equipment was in excess of its associated recoverable amount (value in use) as a result of the continued weakness in shallow gas and coalbed methane market, depressed natural gas prices, restricted capital spending by exploration and production companies and the general excess of rigs available to service the shallow gas market in Canada. Value in use was determined by using a discounted cash flow approach to value the operating and salvage cash flows over the next five years. The cash flows were discounted at a pre-tax rate of 14.01%.

(b) Finance leases

Under previous Canadian GAAP, leases of vehicles were classified as operating leases. Under IFRS, the equipment is classified as a finance lease because the Corporation must cover the lessor's losses upon termination of the lease.

The effects of this change in classification is an increase to property, plant and equipment and liabilities of \$494 and \$504, respectively at January 1, 2010, with the resulting difference booked to retained earnings.

(c) Share based payments

The Corporation granted cash-settled share based payments to certain employees. The Corporation accounted for these share based payment arrangements by reference to their intrinsic value under previous Canadian GAAP. Under IFRS the related liability has been adjusted to reflect the fair value of the outstanding cash-settled shared-based payments. The liability was increased by \$425 at January 1, 2010, with the offset to opening retained earnings on transition to IFRS. The liability has also been reclassified from trade and other payables under Canadian GAAP to its own line item in the Statement of Financial Position.

IFRS 1 allows an exemption to IFRS 2 *Share Based Payments* for equity instruments, such as the Corporation's stock options, granted on or before November 2, 2002 or which vested before the transition date to IFRS. The Corporation utilized this exemption upon adoption of IFRS which resulted in a reduction of share capital and contributed surplus of \$424 and \$2,197, respectively, at January 1, 2010, with the offset to retained earnings, resulting from the reversal of entries previously recorded under Canadian GAAP.

(d) Deferred taxes

The above changes decreased the deferred tax liability as follows:

		January 1, 2010	December 31, 2010
Property, plant and equipment	(a)	\$ 2,925	\$ 3,031
Finance leases	(b)	3	1
		\$ 2,928	\$ 3,032

The effect on the Statement of Comprehensive Income for the three month period ended March 31, 2010 was to reduce the previous reported tax charge for the period by \$44 (year ended December 31, 2010 - \$104).

(e) Business combinations:

In 2007, before the January 1, 2010 date of transition to IFRS, Technicoil entered into a business combination to purchase Storm Service Rigs. In accordance with IFRS 1, the Corporation has elected not to adopt IFRS 3 *Business Combinations* retrospectively. As a result of this decision:

- The classification of the Corporation's acquisition previously recognized under Canadian GAAP will remain the same;
- The recognition and measurement of all acquisition related assets and liabilities previously recognized under Canadian GAAP will remain the same. The Corporation had no assets or liabilities that did not qualify for recognition upon adoption of IFRS; and
- The deemed cost of the business combination under IFRS is the carrying amount of the business combination, previously recognized under Canadian GAAP.

(f) Borrowing costs

Under previous Canadian GAAP the Corporation expensed borrowing costs as incurred. At the date of transition, the Corporation elected to capitalize borrowing costs only in respect of qualifying assets for which the commencement date for capitalization was on or after the date of transition. There was no amount capitalized for the year ended December 31, 2010 or the three month period ended March 31, 2011 as no amount of debt was drawn on the Corporation's debt facility to finance the construction of qualifying assets during these periods.

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(2) *Member of Compensation and Corporate Governance Committee*
(3) *Member of Quality, Health, Safety & Environment Committee*
(4) *Chairman of the Board of Directors*

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