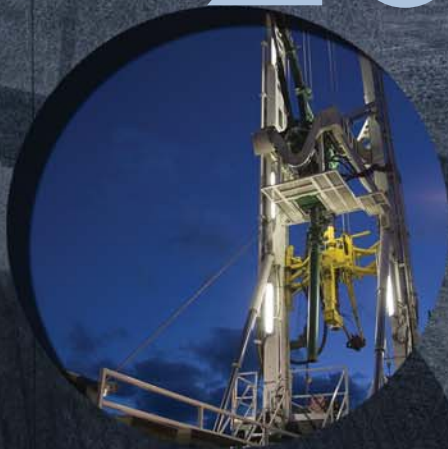


2010 FINANCIAL DOCUMENTS
Management's Discussion & Analysis
and Consolidated Financial Statements

2010



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; (ii) relating to the Corporation's business plan and operational outlook; and (iii) relating to the impact on the Corporation of proposed changes to accounting policies and the timing of certain milestones associated with the Corporation's transition to International Financial Reporting Standards ("IFRS").

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.

Forward-looking statements concerning the timing of certain activities associated with the anticipated transition from GAAP to IFRS are based on various assumptions and factors including, but not limited to, the availability of personnel, the ability to provide the required financial training to members of staff assigned to complete the various tasks and the scope and complexity of the transition activities.

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 year ended December 31, 2010, which has been prepared with information available up to and as at March 14, 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. Unless otherwise disclosed, all financial information in this MD&A has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and is presented in Canadian dollars. 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.

ANNUAL HIGHLIGHTS

(\$ thousands except per share data)	2010	2009	2008
Revenue	\$ 94,591	\$ 45,807	\$ 62,279
Gross margin	\$ 29,094	\$ 10,280	\$ 18,620
Gross margin %	31%	22%	30%
EBITDA ¹	\$ 25,782	\$ 7,075	\$ 15,678
Net income (loss) ²	\$ 10,092	\$ (6,377)	\$ (3,380)
Per share – basic	\$ 0.14	\$ (0.09)	\$ (0.05)
Per share – diluted	\$ 0.14	\$ (0.09)	\$ (0.05)
Adjusted net income (loss) ¹	\$ 10,092	\$ (2,563)	\$ 4,011
Per share – basic	\$ 0.14	\$ (0.04)	\$ 0.06
Per share – diluted	\$ 0.14	\$ (0.04)	\$ 0.06
Funds flow from operations ¹	\$ 22,109	\$ 6,165	\$ 14,551
Total assets	\$ 104,192	\$ 91,191	\$ 112,409
Long-term financial liabilities	\$ –	\$ 6,201	\$ 19,048
Debt to equity ratio ¹	–	0.13	0.31
Number of rigs owned as at December 31			
Well Servicing	26	26	27
Drilling	5	6	6
Other	2	–	–

1. Readers are cautioned that EBITDA, adjusted net income (loss), funds flow from operations, and debt to equity ratio are considered to be non-GAAP measures that do not have standardized meanings prescribed by GAAP. See "Definitions of Non-GAAP Measures" on pages 24 & 25 for the Corporation's definitions of these measures.

2. The net loss incurred in 2009 and 2008 are inclusive of an impairment charge on property, plant and equipment of \$3.8 million, and a goodwill impairment charge of \$7.4 million, net of tax respectively.



MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW OF RESULTS

Technicoil achieved record quarterly results in the fourth quarter of 2010, contributing to the Corporation reporting annual financial and operating results that surpassed any previous year. The ability to leverage the versatility and diversity of the Corporation's service offering across the WCSB contributed to the strong results reported throughout 2010. Technicoil's achievements during the fourth quarter and year included:

Fourth Quarter Highlights:

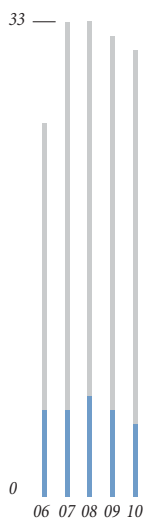
- Achieved record quarterly revenue of \$31.9 million on 25,547 well servicing operating hours and 216 drilling operating days;
- Improved gross margin by 173% in comparison with the fourth quarter of the prior year. Gross margin for the fourth quarter of 2010 was \$10.1 million, or 32% of revenue; and
- Reported EBITDA of \$9.1 million, exceeding the prior record quarterly results reported in the first quarter of 2010.

Annual Achievements:

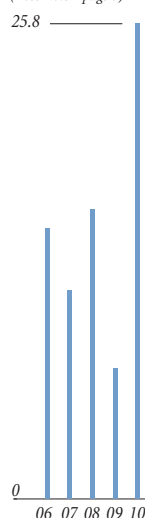
- Realized record annual revenue and EBITDA of \$94.6 million and \$25.8 million, respectively;
- Increased utilization across both segments, achieving record annual operating hours by the Well Servicing Segment of 77,215 hours as a result of rigless completions and drilling support for steam assisted 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 33% of revenue in the Well Servicing Segment being generated in Saskatchewan/Manitoba;
- Reported net earnings of \$10.1 million or \$0.14 per share, exceeding any prior annual results;
- Fully repaid the Corporation's long-term debt and operating facilities, exiting 2010 with positive working capital of \$11.2 million, including \$0.8 million of cash, providing financial flexibility to facilitate capital and other corporate expansion opportunities as they arise;
- Strengthened the Corporation's ability to pursue non-fracturing services with the coiled tubing rig fleet, and to work directly for exploration and production companies and other pressure pumping companies, as a result of the expiration of an operating contract with a pressure pumping company in February 2010;
- Resolved all outstanding patent and related litigation matters in the first quarter of 2010 regarding certain coiled tubing technology without having a material impact on the assets, liabilities, or the current or future prospects of the Corporation; and
- Announced a \$7 million capital expansion program to provide complementary pumping services through the Corporation's Well Servicing Segment. By year-end, the Corporation had invested \$3.3 million in this new venture.

Drilling activity in the WCSB improved in 2010, with activity increasing primarily in the resource plays and the oil sands. Activity directed towards heavy oil opportunities has also improved as a result of more sustainable oil commodity prices. Wells drilled in the WCSB in 2010 were 12,112 (source: Nickle's Daily Oil Bulletin), an increase from 8,359 during 2009. While the well count increased by 45%, on a "metres drilled" basis activity increased 64%. The type of well being drilled by operators is becoming more important than the total number of wells drilled. Horizontal drilling and multiple fractures in the lateral section of a well continue to dominate activity in the WCSB, which has influenced the increase in meters

Number of Rigs
Servicing —
Drilling —



Annual EBITDA*
(\$ millions)
(* see Note 1 page 3)
25.8



drilled. With an increasing trend in the number of fracturing stages in the lateral section, the capital and time required to complete the horizontal well increases. The ongoing change 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. In 2010, 65% of the Corporation's operating hours generated from the Well Servicing Segment were derived from rigless completions of the lateral section of horizontal wells.

Technicoil's well servicing and drilling profile has become more leveraged towards oil activity, consistent with the shifting focus of developments in the WCSB. The Corporation's equipment is versatile and responsive. Technicoil's balance sheet is strong, with no debt and a positive working capital position of \$11.2 million as at December 31, 2010.

SELECT FINANCIAL & OPERATING INFORMATION

	Three months ended December 31			Year ended December 31		
	2010	2009	Change	2010	2009	Change
Revenue	\$ 31,859	\$ 15,191	110%	\$ 94,591	\$ 45,807	106%
Gross margin	\$ 10,063	\$ 3,692	173%	\$ 29,094	\$ 10,280	183%
Gross margin %	32%	24%	33%	31%	22%	41%
General and						
administrative expenses	\$ 972	\$ 575	69%	\$ 3,479	\$ 2,710	28%
EBITDA ¹	\$ 9,090	\$ 3,201	184%	\$ 25,782	\$ 7,075	264%
Net income (loss) ²	\$ 3,545	\$ (3,440)	203%	\$ 10,092	\$ (6,377)	258%
Per share – basic	\$ 0.05	\$ (0.05)	200%	\$ 0.14	\$ (0.09)	256%
Per share – diluted	\$ 0.05	\$ (0.05)	200%	\$ 0.14	\$ (0.09)	256%
Adjusted net income (loss) ¹	\$ 3,545	\$ 374	848%	\$ 10,092	\$ (2,563)	494%
Per share – basic	\$ 0.05	\$ 0.01	400%	\$ 0.14	\$ (0.04)	450%
Per share – diluted	\$ 0.05	\$ 0.01	400%	\$ 0.14	\$ (0.04)	450%
Funds flow from operations ¹	\$ 7,218	\$ 2,660	171%	\$ 22,109	\$ 6,165	259%
Well servicing operating hours	25,547	12,259	108%	77,215	40,201	92%
Drilling operating days	216	177	22%	636	434	47%

	As at	As at	Change
	December 31, 2010	December 31, 2009	
Total assets	\$ 104,192	\$ 91,191	14%
Long-term debt (including current portion)	\$ NIL	\$ 8,755	(100%)
Debt to equity ratio ¹	–	0.13	(100%)

1. Readers are cautioned that EBITDA, adjusted net income (loss), funds flow from operations and debt to equity ratio are considered to be non-GAAP measures that do not have standardized meanings prescribed by GAAP. See "Definitions of Non-GAAP Measures" on pages 24 & 25 for the Corporation's definitions of these measures.

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



MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL AND OPERATING RESULTS

For the three months ended December 31, 2010

Revenue

The Corporation reported its best ever quarterly revenue of \$31.9 million in the fourth quarter of 2010, an increase of 110% compared with revenue of \$15.2 million for the same period of the prior year. Both the Well Servicing Segment and the Drilling Segment contributed to the improvement, recording increases of 124% and 45% respectively. Revenue rates during the quarter averaged \$1,091 per operating hour for the Well Servicing Segment and \$18,514 per operating day for the Drilling Segment, an increase of 8% and 19%, respectively, in comparison with the fourth quarter of the prior year.

The Well Servicing Segment achieved record quarterly operating hours of 25,547, more than doubling the operating hours recorded in the same period of the prior year of 12,259. The significant increase in operating hours is primarily a result of improved utilization of the coil tubing service rig fleet providing rigless completions and support for steam assisted gravity drainage ("SAGD") drilling operations. The utilization of this fleet improved as a result of increased penetration in the key resource plays across the WCSB, including the Bakken, Shaunavon and Cardium oil plays, and continued operations in the Montney gas play, combined with an increased proportion of the fleet operating 24 hours per day. The operations of the coil tubing service fleet continues to trend toward oil opportunities as exploration and development companies shift their resources to oil developments. Complementing the coil tubing service rigs was a 17% improvement in the utilization rate of the Corporation's conventional service rig fleet in the fourth quarter in comparison with the same period of the prior year. The activity base of the conventional rig fleet has also shifted, which now services more oil than gas wells, including completion operations in the oil sands operating 24 hours per day. Technicoil's equipment in the Well Servicing Segment is adaptable to service opportunities across the entire WCSB. Activity levels improved more modestly for the Drilling Segment which recorded 216 operating days in the fourth quarter of 2010 in comparison with 177 operating days for the same period of the prior year. The Corporation had all five of its hybrid drilling rigs contracted at the end of 2010.

Gross Margin

Technicoil realized a record gross margin of \$10.1 million in the fourth quarter of 2010, an increase of 173% in comparison with the same period of the prior year. The improvement in gross margin is a result of higher operating hours across both the Well Servicing and the Drilling segments. As a percentage of revenue, gross margin improved to 32% from 24% in the same period of the prior year.

General and Administrative Expense and Stock-Based Compensation

General and administrative ("G&A") expense was \$1.0 million for the three months ended December 31, 2010 in comparison with \$0.6 million for the comparable period of the prior year. The variance is primarily attributable to an increase in compensation expense. Compensation expense increased as a result of higher short-term incentive program provisions, and incremental staffing levels necessary to support both the growing complexity of work performed and the expanding operational footprint of the Corporation. As a percentage of revenue, G&A expense decreased from 4% of revenue in the fourth quarter of 2009 to 3% in the current quarter.

The Corporation recorded a stock-based compensation charge of \$1.4 million in the fourth quarter of 2010 as a result of the significant appreciation of the Corporation's share price. As at December 31, 2010, the Corporation had 3,890,666 options outstanding, of which 1,970,014 were exercisable at the end of the year.

EBITDA

The impact of the above items resulted in the Corporation achieving record quarterly EBITDA of \$9.1 million in the fourth quarter of 2010, or 29% of revenue, an increase from \$3.2 million, or 21% of revenue, for the same period of the prior year.

Depreciation, Amortization and Impairment Charges

Depreciation and amortization expense was \$2.2 million in the fourth quarter of 2010, a decrease from \$2.4 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 from 2009 and 2010. In the fourth quarter of 2009, the Corporation recorded a pre-tax impairment charge of \$5.1 million pertaining to older generation coil tubing service and hybrid drilling rigs. No such charge was recorded in 2010.

Other Items

Interest on long-term debt was \$0.1 million in the fourth quarter of 2010, a decrease of 72% 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 interest charge relates 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 \$1.9 million in the fourth quarter of 2010 in comparison with a recovery of \$1.1 million in the comparable period of the prior year. The effective tax rate for the quarter of 35% is higher than the statutory rate primarily as a result of non-deductible permanent differences, including the stock-based compensation charge.

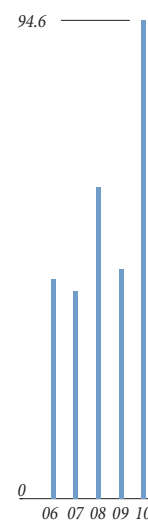
Technicoil recorded net income of \$3.5 million, or \$0.05 per share, for the three months ended December 31, 2010 in comparison with a net loss of \$3.4 million for the same period of the prior year. Excluding the impairment charge on older generation equipment, adjusted net income in the fourth quarter of 2009 was \$0.4 million. 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.

For the year ended December 31, 2010

Revenue

The Corporation generated record annual revenue of \$94.6 million for the year ended December 31, 2010, surpassing the prior annual record reported in 2008 by 52%. In comparison with the same period of the prior year, revenue more than doubled with both segments contributing to the improvement. The Corporation realized average revenue per operating hour of \$1,081 for the Well Servicing Segment and \$17,519 per operating day for the Drilling Segment, representing improvements from the same period of the prior year of 12% and 9%, respectively.

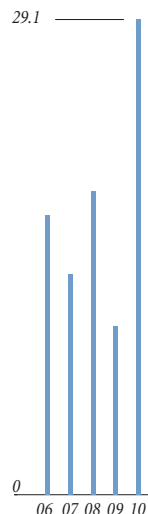
Annual Revenue
(\$ millions)



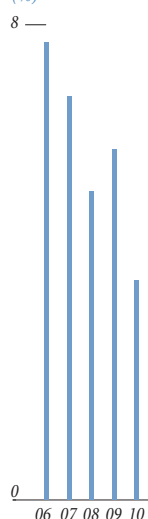
MANAGEMENT'S DISCUSSION & ANALYSIS

The increase in revenue is primarily attributable to the record operating hours generated by the Well Servicing Segment. Operating hours for this segment increased from 40,201 in 2009 to 77,215 in the current year. The increase is primarily a result of improved utilization of the coil tubing service rigs. The activity base for this equipment is predominantly rigless completions across the WCSB. The Corporation exited 2010 with 15 of its 17 coil tubing service rigs capable of operating 24 hours per day. The operating footprint of this fleet spans the entire WCSB, the majority of which currently service oil opportunities, including the oil sands. The Corporation's conventional service rigs realized higher utilization levels in 2010, with a shifting focus towards oil activities including operations in the oil sands. Similarly, activity levels increased significantly for the Drilling Segment which recorded a 47% increase in operating days to 636 days in 2010 compared to 434 days in the prior year. The drilling rigs provided surface-hole drilling programs for SAGD operations, heavy oil drilling, oil sands coring and shallow gas drilling during the year.

**Annual
Gross Margin**
(\$ millions)



**G & A as
% of Revenue**
(%)



Gross Margin

The Corporation recorded a gross margin of \$29.1 million, or 31% of revenue, for the year ended December 31, 2010 in comparison with a gross margin of \$10.3 million, or 22% of revenue, for the same period of the prior year. The improvement in gross margin is primarily a result of higher rig utilization by both the Well Servicing and Drilling segments.

Technicoil's variable cost structure and focus on cost management enabled the Corporation to reduce consolidated costs per operating hour, excluding third-party pass through charges, fuel, subsistence and overhead, by 12% in comparison to the prior year. The Corporation's fixed overhead costs increased during 2010 in comparison with the same period of the prior year primarily as a result of an increase in the staff complement to support the increased volume and complexity of the Well Servicing Segment's operations. Overhead costs per-operating hour decreased by 28% in 2010 compared with the prior year.

General and Administrative Expense and Stock-Based Compensation

General and administrative expense was \$3.5 million for the year ended December 31, 2010, an increase from \$2.7 million in comparison with 2009. A reduction in legal costs as a result of the patent and civil litigation settlement in the first quarter of 2010 was more than offset by higher compensation and consulting charges during the period. The same factors affecting compensation expense in the fourth quarter impacted year-to-date results. As a percentage of revenue, G&A expense decreased from 6% in 2009 to 4% in the current year.

The Corporation recorded a charge for stock-based compensation of \$2.0 million for the year ended December 31, 2010 in comparison with \$0.1 million in the prior year. The increase is a result of the significant appreciation of the Corporation's share price relative to the prior year.

EBITDA

The impact of the above items resulted in the Corporation reporting record EBITDA of \$25.8 million in 2010, an increase of 264% in comparison with 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 utilization of both the conventional service rigs and drilling rig fleet also contributed to the improvement.

Depreciation, Amortization and Impairment Charges

The Corporation recorded depreciation and amortization expense of \$8.7 million in 2010 in comparison with \$9.6 million for the same period of the prior year. The decrease is a result of intangible assets becoming fully amortized during the third quarter of 2010, and lower depreciation expense on older equipment more than offsetting the impact on depreciation expense of the net capital expenditure programs from 2009 and 2010.

Other Items

Interest on long-term debt was \$0.4 million for the year ended December 31, 2010, a decrease of 44% in comparison with the same period of the prior year. The decrease in interest expense is primarily attributable to the Corporation having fully repaid its long-term debt facility in May 2010, combined with limited drawings against the operating facility during 2010. The interest charge relates primarily to standby fees on the unutilized portion of the facility and amortization of annual renewal fees.

Income tax expense for the year ended December 31, 2010 was \$4.5 million in comparison with an income tax recovery of \$2.1 million for the same period of the prior year. The effective tax rate of 31% is higher than the statutory rate primarily as a result of non-deductible permanent differences.

Technicoil generated record net income of \$10.1 million, or \$0.14 per share, for the year ended December 31, 2010 in comparison with a net loss of \$6.4 million, or \$0.09 per share, for the same period of 2009. Adjusting for the impairment charge on older generation equipment, the adjusted net loss for 2009 was \$2.6 million. The significant improvement in net income is primarily a result of the record well servicing operating hours achieved and higher drilling rig utilization.

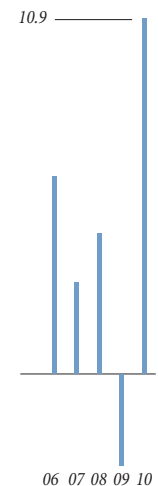
SEGMENTED RESULTS

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 December 31, 2010, 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.

In the fourth quarter of 2010, the Corporation commenced a capital expansion program to provide a fleet of complementary pumping services. The new service offering will initially complement the Corporation's rigless completion activities performed by the coiled tubing service rigs in the resource plays. The deployment of these pumps commenced in the first quarter of 2011.

Annual Adjusted
Net Income (Loss)*
(\$ millions)
(* see Note 1 page 3)

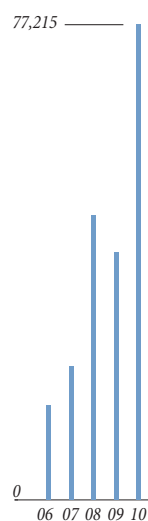


MANAGEMENT'S DISCUSSION & ANALYSIS

The Corporation's coil tubing service rigs are capable of servicing the horizontal wells that are beginning to 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, remedial work and abandonments.

Year ended December 31 (\$ thousands except for revenue per operating hour)(unaudited)	2010	2009	Variance	Change
Well servicing revenue	\$ 83,449	\$ 38,818	\$ 44,631	115%
Operating expenses	56,129	29,115	27,014	93%
Gross margin	\$ 27,320	\$ 9,703	\$ 17,617	182%
Gross margin %	33%	25%	8%	32%
Operating hours	77,215	40,201	37,507	92%
Revenue per operating hour	\$ 1,081	\$ 966	\$ 115	12%
Number of wells serviced during the period	1,826	1,348	478	35%

Well Servicing
(Operating hours)



The Well Servicing segment generated record revenue of \$83.4 million for the year ended December 31, 2010, an increase of 115% in comparison with the same period of the prior year. On a per hour basis, revenue increased by 12% to \$1,081, with the majority of the increase attributable to higher pass through cost items.

The significant improvement in revenue is largely attributable to a 92% increase in operating hours. 2010 was a break-out year for the Well Servicing Segment, and in particular the coil tubing service fleet. The coil tubing service fleet exited 2010 with 15 of its 17 rigs capable of operating 24 hours per day. The rigs expanded their geographic footprint to include the key oil resource plays in the WCSB, such as the Bakken, Shaunavon and Cardium oil plays, provided support for SAGD drilling operations, and introduced a new clean-out tool through an operating arrangement with a private company. Technicoil remains active in servicing the Montney and Horn River gas resource plays in northeastern British Columbia. With a growing demand to provide a more full service to customers, Technicoil commenced a capital program to introduce complementary pumping equipment. This equipment, scheduled for deployment in the first quarter of 2011, will displace third party service providers currently utilized by Technicoil in performing rigless completions. Technicoil's conventional service rig activity also improved in 2010 compared with the same period of the prior year, with utilization for this fleet increasing by 15%. Annual operating hours generated from outside of Alberta for the Well Servicing segment accounted for 63%, including 30% in British Columbia and 33% from the combined Saskatchewan and Manitoba region.

Technicoil recorded a gross margin of \$27.3 million or 33% of revenue for the Well Servicing Segment for the year ended December 31, 2010 in comparison with \$9.7 million or 25% for the same period of the prior year. The improvement in the gross margin percentage is a result of a 12% decrease in per hour operating costs, excluding third party pass through items, combined with higher average revenue rates. Operating costs per hour were reduced as a result of more efficient crew staffing and crew changes, which account for the majority of direct variable costs, general cost management, and a higher activity base over which to absorb fixed overhead costs.

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 December 31, 2010, 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 is drilling shallow natural gas wells, heavy oil drilling, oil sands coring and shallow directional drilling.

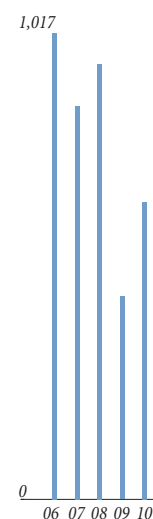
Year ended December 31 (\$ thousands except for revenue per operating day)(unaudited)	2010	2009	Variance	Change
Drilling revenue	\$ 11,142	\$ 6,989	\$ 4,153	59%
Operating expenses	9,368	6,412	2,956	46%
Gross margin	\$ 1,774	\$ 577	\$ 1,197	207%
Gross margin %	16%	8%	8%	100%
Utilization % ¹	35%	20%	15%	75%
Operating days	636	434	202	47%
Revenue per operating day	\$ 17,519	\$ 16,104	\$ 1,415	9%
Number of wells drilled during the period	248	185	63	34%

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. Utilization is computed over the Corporation's five actively marketed drilling rigs.

Drilling activity improved in 2010, although an extended seasonal spring break-up and wet weather conditions in the third quarter impacted activity. Drilling rig utilization for the industry as reported by the CAODC averaged 41% in 2010, an increase from 24% in comparison with 2009, resulting in 12,112 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 which contributed to the Corporation's utilization rate being lower than industry average. 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 \$11.1 million in revenue for the Drilling Segment in 2010, an increase of 59% in comparison with the same period of the prior year. The improvement in revenue is primarily attributable to an increase in operating days. Revenue per operating day increased from \$16,104 to \$17,519. 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 \$1.8 million or 16% of revenue in comparison with \$0.6 million or 8% of revenue for the same period of the prior year. A 47% increase in operating days and a decrease in per hour operating costs contributed to the improvement in gross margin and gross margin percentage. The Corporation had all five rigs contracted at the end of the year at base day rates higher than what was realized in the first quarter of 2010.

Drilling
(Operating days)



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)	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 31,859	\$ 22,995	\$ 15,216	\$ 24,521	\$ 15,191	\$ 10,167	\$ 3,441	\$ 17,008
Gross margin	\$ 10,063	\$ 7,032	\$ 3,793	\$ 8,206	\$ 3,692	\$ 2,945	\$ (1,088)	\$ 4,731
Gross margin %	32%	31%	25%	33%	24%	29%	(32%)	28%
G & A expenses	\$ 972	\$ 823	\$ 813	\$ 871	\$ 575	\$ 552	\$ 720	\$ 863
EBITDA ¹	\$ 9,090	\$ 6,243	\$ 3,114	\$ 7,335	\$ 3,201	\$ 2,210	\$ (1,824)	\$ 3,488
Net income (loss) ²	\$ 3,545	\$ 2,799	\$ 140	\$ 3,608	\$ (3,440)	\$ (323)	\$ (3,276)	\$ 662
Per share – basic	\$ 0.05	\$ 0.04	\$ 0.00	\$ 0.05	\$ (0.05)	\$ 0.00	\$ (0.05)	\$ 0.01
Per share – diluted	\$ 0.05	\$ 0.04	\$ 0.00	\$ 0.05	\$ (0.05)	\$ 0.00	\$ (0.05)	\$ 0.01
Adjusted net income (loss) ¹	\$ 3,545	\$ 2,799	\$ 140	\$ 3,608	\$ 374	\$ (323)	\$ (3,276)	\$ 662
Per share – basic	\$ 0.05	\$ 0.04	\$ 0.00	\$ 0.05	\$ 0.01	\$ 0.00	\$ (0.05)	\$ 0.01
Per share – diluted	\$ 0.05	\$ 0.04	\$ 0.00	\$ 0.05	\$ 0.01	\$ 0.00	\$ (0.05)	\$ 0.01
Funds flow from operations ¹	\$ 7,218	\$ 5,127	\$ 2,637	\$ 7,127	\$ 2,660	\$ 1,969	\$ (1,706)	\$ 3,242

¹ Readers are cautioned that EBITDA, adjusted net income (loss) and funds flow from operations are considered to be non-GAAP measures that do not have standardized meanings prescribed by GAAP. See "Definitions of Non-GAAP Measures" on pages 24 & 25 for the Corporation's definitions of these measures.

² 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.

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 December 31, 2010 and as at March 14, 2011.

Technicoil's financial position continued to strengthen in 2010. The Corporation's long-term debt as at December 31, 2009 was fully repaid in May 2010. As at December 31, 2010, the Corporation had no borrowings against either the operating or term facility. As at March 14, 2011 Technicoil had 72,755,515 common shares issued and outstanding and 3,869,999 options outstanding.

Operating Activities

The Corporation generated cash flow from operating activities of \$15.1 million in 2010 compared with \$13.2 million for the same period of the prior year. Adjusting for changes in non-cash working capital, the Corporation generated \$22.1 million in funds flow from operations in 2010, an increase from \$6.2 million in the comparable period of the prior year. Record operating hours by the Well Servicing Segment contributed to the improvement.

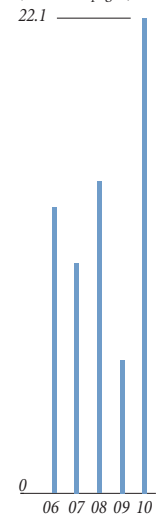
Financing Activities

During the first and second quarters of 2010, the Corporation retired the \$8.8 million of long-term debt that was outstanding as at December 31, 2009. The Corporation issued 61,667 shares upon the exercise of stock options during 2010 for proceeds of \$35,400.

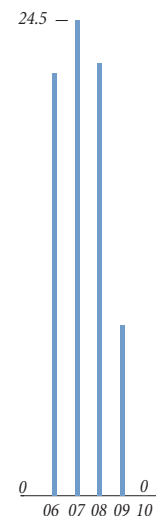
Investing Activities

The Corporation invested \$8.2 million in property, plant and equipment during 2010. The capital expenditures included \$3.8 million pertaining to maintenance capital requirements, \$3.3 million related to the pumping services capital program, and other expansion capital initiatives of \$1.1 million. During 2010, the Corporation disposed of underutilized and redundant assets, generating proceeds of \$1.1 million.

Funds Flow from Operations *
(\$ millions)
(* see Note 1 page 3)



Long Term Debt
(\$ millions)



MANAGEMENT'S DISCUSSION & ANALYSIS

Contractual Obligations

The Corporation's contractual obligations relate to accounts payable and accrued liabilities, operating leases for vehicles, office equipment and office premises, and capital commitments and are as follows:

<i>Payments due by period (\$ thousands)</i>	2011	2012	2013	2014	Thereafter	Total
Accounts payable and accrued liabilities	\$ 14,627	\$ -	\$ -	\$ -	\$ -	\$ 14,627
Income taxes payable	3,131	-	-	-	-	3,131
Operating leases	632	553	532	390	421	2,528
Capital commitments	2,907	-	-	-	-	2,907
Total contractual obligations	\$ 21,297	\$ 553	\$ 532	\$ 390	\$ 421	\$ 23,193

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation has designated its financial instruments as follows: cash is classified as held-for trading, which is measured at fair value; accounts receivable are classified as loans and receivables which are measured at amortized cost; accounts payable and accrued liabilities, bank indebtedness, and long-term debt are classified as other financial liabilities which are also measured at amortized cost. The fair values of the accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The fair values of the Corporation's bank indebtedness and long-term debt approximates their carrying values due to their floating interest rate terms.

The Corporation has exposure to credit, liquidity and market risk as follows:

(a) Credit Risk

The majority of the Corporation's accounts receivable is with customers in the oil and natural gas industry. 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 December 31, 2010 the Corporation's accounts receivable are aged as follows:

<i>(\$ thousands)</i>	2010
Current	\$ 10,965
31 to 60 days outstanding	11,071
61 to 90 days outstanding	1,983
Greater than 90 days outstanding	2,248
	26,267
Less allowance for doubtful accounts	(256)
Accounts receivable	\$ 26,011

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

(b) Liquidity Risk

Liquidity risk relates to the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The financial liabilities on the consolidated balance sheet consist of bank indebtedness, accounts payable and accrued liabilities, income taxes payable and long-term debt which are all measured at amortized cost.

The Corporation may be exposed to liquidity risk if it is unable to collect its trade account receivable balances on a timely basis, which in turn could impact the Corporation's long-term ability to meet commitments under its credit facility, or if the credit facility is not renewed annually requiring the Corporation to make scheduled principal repayments. 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. Long and short term cash flow forecasts are prepared and monitored to ensure adequate liquidity. The Corporation has sufficient capacity within its revolving credit facility and operating line to meet current and forecasted liquidity requirements.

(c) Market Risk

Market risk is comprised of interest rate risk, currency risk and other price risks which consist primarily of fluctuations in commodity prices.

(i) Interest rate risk

The Corporation is not exposed to interest rate price risk as both its revolving loan and operating line have floating interest rate terms. However, the floating interest rate terms do give rise to interest rate cash flow risk as interest payments are recalculated as the market rates change. For the year ended December 31, 2010 a 1% change in interest rates would have impacted net income by \$0.1 million. The Corporation had no interest rate swaps or hedges during the year ended, or at, December 31, 2010.

(ii) Foreign currency risk

The Corporation's operations are based in Canada, therefore, it is not exposed to foreign exchange risk other than from United States dollar denominated purchases made during the course of normal operations. Any change in the foreign currency rates would not have a material impact on the Corporation's financial assets or liabilities.

(iii) Commodity price risk

The Corporation is not directly exposed to commodity price risk as it does not have any contracts which are directly based on commodity prices. A change in commodity prices, specifically petroleum and natural gas prices, could have an impact on oil and gas production levels and could therefore affect the demand for drilling and well servicing to oil and gas customers. However, given that this is an indirect influence, the financial impact for the Corporation of changing petroleum and natural gas prices cannot be quantified.

MANAGEMENT'S DISCUSSION & ANALYSIS

RISKS AND UNCERTAINTIES

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision.

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.

Volatility of Industry Conditions

The demand and pricing for oilfield services largely depends upon the level of industry activity for Canadian natural gas and oil exploration and development. Industry conditions are influenced by numerous factors over which Technicoil has no control, including: oil and gas prices; expectations about future oil and gas prices; the cost of exploring for, producing and delivering oil and gas; the expected rates of declining current production; the discovery rates of new oil and gas reserves; available pipeline and other oil and gas transportation capacity; weather conditions; political, regulatory and economic conditions; and the ability of oil and gas companies to raise equity capital or debt financing.

The level of activity in the Canadian oil and gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and gas exploration and production activities will continue or that demand for oilfield services will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and gas exploration and production levels and therefore affect the demand for drilling and well servicing. A material decline in oil or gas prices or Canadian industry activity levels could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Government Regulation and Political Risk

The oil and gas industry in Canada is subject to federal, provincial and municipal legislation and regulations governing such matters as land tenure, prices, royalties, production rates, environmental protection controls, the exportation of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments in such matters as the awarding or acquisition of exploration and production rights, oil sands or other interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields and mine sites (including restrictions on production) and possible expropriation or cancellation of contract rights.

Government regulations may change from time to time in response to economic, social or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for Technicoil's services or increase its costs, either of which could have a material adverse impact on Technicoil.

Environmental Considerations

Technicoil is subject to the operating risks inherent in the oil and gas industry, including environmental damage. The Corporation has established programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. Compliance with such legislation can require significant expenditures and a breach of such legislation may result in suspension or revocation of necessary licences and authorizations or the imposition of fines or penalties. There can be no assurance that the Corporation's procedures will prevent environmental damage occurring from spills of materials handled by the Corporation or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Corporation may have the benefit of insurance maintained by it or the operator; however the Corporation may become liable for damages which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

Technicoil's customers are subject to similar environmental laws and regulations, as well as limits on emissions to the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, Technicoil cannot predict the nature of the restrictions that may be imposed. Technicoil may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Seasonality

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.

Economic Dependence

The Corporation has a concentration of customers in the oil and gas industry. For the year ended December 31, 2010, ten customers comprised 71% of the Corporation's revenue, two which individually each accounted for 10% or more of revenue. The loss of any one or more of these customers, or a significant reduction in business done with Technicoil by one or more of these customers, if not offset by sales to new or other existing customers, could have a material adverse effect on the Corporation's business, results of operations and prospects.

Dependence on Suppliers

Failure of suppliers to deliver equipment and products in a timely and efficient manner could be detrimental to Technicoil's ability to keep customers and to grow its business. Certain equipment is manufactured specifically for Technicoil and it is dependent upon the continued availability and quality of the manufacturer. No assurances can be given that the Corporation will be successful in maintaining its required supply of equipment and products. In addition, supplier capacity constraints may limit Technicoil's pace of growth in future years.

MANAGEMENT'S DISCUSSION & ANALYSIS

Reliance on Skilled Personnel

Technicoil's success and its ability to expand its services is dependent upon its skilled personnel and the ability to attract additional qualified employees. Securing the services of additional qualified personnel is constrained in times of strong industry activity. Any loss of the services of skilled personnel or the inability to attract and retain qualified employees could have a material adverse effect on the Corporation's business and operations.

Competition

The oilfield services industry is highly competitive. Technicoil competes with a substantial number of companies, some of which have greater technical, personnel and financial resources than the Corporation. There can be no assurance that such competitors will not substantially increase their resources devoted to the development and marketing of products and services that compete with Technicoil's products and services, or that new competitors will not enter the various markets in which the Corporation is active. Additional competition could significantly impact the Corporation's activity levels, thereby adversely affect revenues.

Technology Risks

Technicoil's ability to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that Technicoil will be successful in its efforts in this regard or that the Corporation will have the resources available to meet this continuing demand. Failure to do so could have material adverse effects on the Corporation. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

Credit Risk

Technicoil's accounts receivable are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices and other general economic factors. Declines in the revenues and resulting cash flows of Technicoil's customers could impair their ability to settle their outstanding liability to the Corporation. 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. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Corporation takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. When management considers that the expected recovery is less than the actual amount receivable, a provision is recorded.

Access to Additional Financing

In the future, Technicoil may find it necessary to raise additional debt or equity capital to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be sufficient or available to Technicoil when needed or on terms acceptable to the Corporation. Should a lack of financing and uncertainty in the capital markets adversely impact Technicoil's ability to refinance debt, additional equity may be issued resulting in a dilutive effect on current and future shareholders. An inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit future growth and may have a material adverse effect on the Corporation.

Operating Risk and Insurance

Technicoil's operations are subject to hazards inherent in the oil and gas industry such as equipment defects, malfunctions, failures and natural disasters, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Risks could expose the Corporation to substantial liability for personal injury, wrongful death, business interruption, property damage or destruction, loss of oil and gas production, pollution and other environmental damage. As a result, Technicoil operates a loss prevention program in accordance with industry standards to protect its assets, operations and employees. The Corporation also maintains insurance coverage that is believed to be adequate, however there can be no assurance that such insurance will be adequate to cover potential liabilities. If a substantial loss liability is incurred and such damages were not covered by insurance or were in excess of policy limits, or if a loss was to occur at a time when liability insurance could not be obtained, the Corporation's business, results of operations and financial condition could be materially adversely affected.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Technicoil's financial statements requires that certain estimates and judgments be made that affect the reported assets, liabilities, revenues and expenses of the Corporation. These estimates and judgments are based on historical experience and various assumptions which management believes to be reasonable in the circumstances. Anticipating future events cannot be done with certainty, therefore these estimates may change as new events and circumstances occur, more experience is acquired or as the Corporation's operating environment changes.

The accounting estimates believed to require the most difficult, subjective or complex judgments and which could have the most impact on Technicoil's results of operations and financial position are as follows:

Depreciation and Impairment of Long-Lived Assets

Technicoil's property, plant and equipment and intangible assets are depreciated on a straight-line basis over the estimated useful lives of the assets. Assessing the reasonableness of the estimated useful lives of property and equipment and intangible assets requires judgment and is based on currently available information including the Corporation's prior experience with similar equipment and assets and the experience of other companies in the industry with similar equipment and assets. These estimates may change as more experience is gained, market conditions shift or new technological advancements are made. A change in the remaining useful life of a group of assets would affect the depreciation rate used to amortize the group of assets and thus affect depreciation expense as reported in the results of operations. Any such changes are reported prospectively.

Long-lived assets, including intangible assets and property, plant and equipment, comprise the majority of Technicoil's assets. The carrying value of these assets is periodically reviewed for impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. This requires management to forecast future cash flows to be derived from the utilization of these assets based upon assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

MANAGEMENT'S DISCUSSION & ANALYSIS

Stock-Based Compensation

Technicoil's stock option plan provides for the granting of options to directors, officers and employees. The fair value of any stock options granted under the Corporation's stock option plan prior to May 2006 is recorded as an expense over the vesting period with a corresponding increase recorded to contributed surplus. Upon the exercise of stock options, consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The fair value of the stock-based compensation is determined using the Black-Scholes option pricing model. No further estimates relating to stock-based compensation are required for options granted by the Corporation after May 2006 as stock option grants are not subject to valuation under the Black-Scholes model because they can be cash settled and are valued intrinsically.

Coiled Tubing Inventory

The majority of Technicoil's inventory balance consists of the unused portion of coiled tubing strings. Coiled tubing strings are recorded into inventory when purchased and are charged into operating expenses based on estimates made about the actual consumption of the string. String consumption is calculated using a modeling technique that estimates the string's fatigue and erosion using currently available data and management's assumptions. Significant or unanticipated changes in actual coiled tubing fatigue or erosion, or management's assumptions as more experience is gained, could impact the magnitude or timing of future operating expenses and inventory balances.

Allowance for Doubtful Accounts

Technicoil performs ongoing credit evaluations of its customers and grants credit based upon the customer's past payment history, financial condition and anticipated industry conditions. In assessing the ability to collect accounts receivable, management reviews individual customer receivable balances to determine accounts for which collection is not certain. For these accounts, an allowance for doubtful accounts is established.

Income Taxes

Technicoil uses the asset and liability method for determining its income tax provision and liabilities. This methodology takes into consideration the differences between financial statement treatment and income tax treatment of certain transactions, assets and liabilities. Current and future income tax assets and liabilities are recognized for the income tax consequences attributed to the Corporation's current year operations and the differences between the financial statement treatment and income tax treatment of the matter. Valuation allowances are established to reduce future income tax assets when it is believed that some or a portion of the asset may not be realized. Estimates of future income tax rates, future income taxes payable and the continuation of prudent tax planning initiatives have been considered in making these valuation assessments. Changes in circumstances, assumptions and the clarification of uncertain taxation matters may require the valuation allowances to change.

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. Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and compliance with Canadian GAAP in the Corporation's consolidated financial statements.

At December 31, 2010, Technicoil's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of the Corporation's disclosure controls and procedures and internal controls over financial reporting as defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings and based on the framework and criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the design and operation of the Corporation's disclosure controls and procedures and internal controls over financial reporting are effective. It should be noted that, while the Corporation's Chief Executive Officer and Chief Financial Officer believe that Technicoil's disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that the system of internal controls are effective, they do not guarantee that the disclosure controls and procedures and internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

ACCOUNTING STANDARDS PENDING ADOPTION

Effective January 1, 2010, the Corporation adopted the Canadian Institute of Chartered Accountants' ("CICA's") revisions to Section 1506 "Accounting Changes" effective for fiscal years beginning on or after January 1, 2010. This section has been amended to exclude from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. On adoption, this standard did not have a material effect on the Corporation's consolidated financial statements.

Effective January 1, 2011 and in accordance with the CICA's Accounting Standards Board's announcement, the Corporation will adopt International Financial Reporting Standards as issued by the IASB. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will result in some instances.

MANAGEMENT'S DISCUSSION & ANALYSIS

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The CICA's Accounting Standards Board announced that publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective January 1, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. The adoption of IFRS will require 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 conversion project consists 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 has occurred throughout the project.

Investments in training and systems will be made during the transition period to facilitate a timely conversion. Regular process reporting to the Audit Committee of the Board of Directors on the status of IFRS has been implemented.

Technicoil has completed the scoping and diagnostic phase which included identifying the major differences between current Canadian GAAP and IFRS standards and assessing the impact of these differences. Based on the evaluation completed, the areas identified with the most potential impact to Technicoil are as follows:

- **Presentation and disclosure of financial information** – IFRS requires the presentation of expenses recognized in the income statement using a classification based on either their nature or their function within the entity. Technicoil currently uses a blended classification methodology in its income statement. The presentation of the income statement will change considerably upon adoption of IFRS. In addition, the extent of note disclosure will be greater under IFRS compared to current Canadian GAAP.
- **Property, plant and equipment** – Under IFRS, each significant component of an item of property, plant and equipment shall be depreciated separately. Unlike IFRS, Canadian GAAP provides no guidance about the level at which component accounting is required, and on the cost and replacement of components. IFRS also allows an entity to select a cost model or a revaluation model as its accounting policy. The Corporation has elected to adopt the cost model upon implementation of IFRS.
- **Impairment of property, plant and equipment** – Under IFRS, 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 discounted cash flow method in comparison to the undiscounted cash flow method under Canadian GAAP. The Corporation anticipates that the change in methodology will result in a change in the impairment charge upon adoption of IFRS.
- **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 will be classified as finance leases upon adoption of IFRS resulting in an increase in assets and the recognition of an obligation under capital lease. The Corporation's gross margin will be impacted as the depreciation on assets under capital lease and the interest carrying charges related to the obligation under capital lease are excluded from the calculation of gross margin.

- *Share-based payments* – IFRS requires the Corporation's stock options to be valued at fair value, as opposed to a mark to market basis known as intrinsic value under Canadian GAAP.

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. In accordance with IFRS 1, Technicoil may elect to measure certain items of property, plant and equipment at their fair values at the date of transition. Any fair value adjustments and changes to the assessment of the related useful lives of the individual components of property, plant and equipment could impact the depreciation charges subsequent to the date of transition. The Corporation will not elect to utilize this transitional provision and will record 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 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 intends to utilize this exemption available under IFRS 1 and will not be restating 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 intends to utilize this exemption upon adoption of IFRS.

The Corporation has completed the impact analysis and evaluation stage and is currently in the implementation stage. This stage involves finalizing accounting policy decisions, preparing the Corporation's IFRS opening balance sheet as at January 1, 2010, preparing comparative financial statements and notes under IFRS for each quarterly period of 2010, and implementing the system, processes, internal controls and training necessary. The impact of the differences is currently being reviewed internally by management and the Board of Directors, and by the Corporation's external auditors. The areas impacted by IFRS discussed above should not be regarded as a comprehensive list of changes that will result from the transition to IFRS. Technicoil continues to monitor the development of standards which may change prior to adoption.

OUTLOOK

Activity levels remain robust as the Corporation enters 2011. Technicoil's strong performance in 2010 was driven by the Corporation's ability to capitalize on the changing trends in the WCSB. Exploration and development activity continues to be focused on horizontal wells incorporating multi-stage fracturing completion techniques. The Petroleum Services Association of Canada, an industry group, is forecasting 12,750 wells to be drilled in 2011, with an increasing proportion directed towards horizontal wells. Crude oil commodity prices remain at attractive levels providing for improved industry conditions, a trend expected to continue in 2011. The Corporation remains concerned with the relatively low natural gas prices. However the industry is showing a strong ability to refocus its development plans towards crude oil and liquids-rich natural gas projects.

MANAGEMENT'S DISCUSSION & ANALYSIS

As a result of these trends, the Corporation anticipates strong utilization levels to continue for its fleet of masted coiled tubing service rigs in 2011, the majority of which are capable of operating 24 hours per day servicing the unconventional light oil plays, such as the Bakken, Shaunavon and Cardium, and the shale gas plays in northeastern British Columbia. The Corporation's conventional service rigs remain highly utilized in the first quarter of 2011, partially as a result of operating in expanding markets, such as the oil sands. Technicoil's fleet of drilling rigs also enter 2011 fully contracted, representing the best start to a calendar year in recent history. A portion of the drilling fleet is performing oil sands coring activities in winter-only access areas. Complementing the increased demand for the Corporation's services in the first quarter of 2011 are higher market rates, a trend that is expected to continue in 2011.

The Corporation's strong balance sheet and available banking facilities has positioned Technicoil to take full advantage of the opportunities presented in 2011 during which the Corporation anticipates that it will invest \$20 million in capital initiatives, including \$12.4 million pertaining to additional pumping equipment to complement the rigless completions activities of the coiled tubing rig fleet. As a result of the continued strong demand and the outlook for the Corporation's equipment, Technicoil is currently assessing additional capital opportunities given the continued strength in operating hours realized by the Corporation's service offering.

DEFINITIONS OF NON-GAAP MEASURES

This MD&A contains references to certain financial measures and associated per share data that do not have any standardized meaning prescribed by Canadian GAAP 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, adjusted net income (loss), funds flow from operations, and debt to equity ratio. These non-GAAP 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 stock-based compensation charges, assets are depreciated, amortized or impaired, or how the results are taxed. The Corporation calculates EBITDA as follows:

	Three months ended		Twelve months ended	
	December 31		December 31	
	2010	2009	2010	2009
<i>(\$ thousands)(quarterly data unaudited)</i>				
Net income (loss) before income tax	\$ 5,465	\$ (4,581)	\$ 14,618	\$ (8,517)
Add: Depreciation and amortization	2,157	2,401	8,740	9,615
Impairment of property, plant and equipment	–	5,085	–	5,085
Interest on long-term debt	55	198	445	794
Stock-based compensation	1,413	98	1,979	98
EBITDA	\$ 9,090	\$ 3,201	\$ 25,782	\$ 7,075

MANAGEMENT'S DISCUSSION & ANALYSIS

"Adjusted net income" is used by management to analyze net income prior to the after-tax effect of the impairment of property, plant and equipment and goodwill, and is not intended to represent net income (loss) as calculated in accordance with Canadian GAAP. The Corporation calculates adjusted net income (loss) as follows:

(\$ thousands) (quarterly data unaudited)	Three months ended		Twelve months ended	
	December 31		December 31	
	2010	2009	2010	2009
Net income (loss)	\$ 3,545	\$ (3,440)	\$ 10,092	\$ (6,377)
Add (deduct):				
Impairment of property, plant and equipment	–	5,085	–	5,085
Tax impact of impairment charge	–	(1,271)	–	(1,271)
Adjusted net income (loss)	\$ 3,545	\$ 374	\$ 10,092	\$ (2,563)

"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) (quarterly data unaudited)	Three months ended		Twelve months ended	
	December 31		December 31	
	2010	2009	2010	2009
Cash flow from operating activities	\$ 1,777	\$ 1,461	\$ 15,088	\$ 13,185
Add (deduct):				
Net change in non-cash working capital from operations	5,441	1,199	7,021	(7,020)
Funds flow from operations	\$ 7,218	\$ 2,660	\$ 22,109	\$ 6,165

"Debt to equity ratio" is defined as long-term debt, including the current portion, divided by shareholders' equity. Management believes the debt to equity ratio provides investors additional information regarding how the assets of the Corporation are financed. The Corporation calculates the debt to equity ratio as follows:

(\$ thousands)	As at December 31,	As at December 31,
	2010	2009
Long-term debt (including current portion)	\$ NIL	\$ 8,755
Shareholders' equity	\$ 75,884	\$ 65,713
Debt to equity ratio (total long-term debt divided by shareholders' equity)	0.00:1	0.13:1



FINANCIAL REPORTS

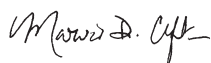
MANAGEMENT'S REPORT

To the Shareholders of Technicoil Corporation

The accompanying consolidated financial statements and all information in this Annual Report are the responsibility of management and the Board of Directors of the Company. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. The financial and operating information presented in the Management's Discussion & Analysis is consistent with that shown in the consolidated financial statements.

Management maintains an appropriate system of internal controls, which ensure transactions are appropriately authorized and accurately recorded, assets are safeguarded and financial records are properly maintained.

External auditors, appointed by the shareholders, have conducted an examination of the consolidated financial statements and have provided an independent professional opinion. The Audit Committee, appointed by the Board of Directors and comprised of directors who are not officers or employees of the Company, has reviewed the consolidated financial statements with management and the external auditors and has reported to the Board of Directors. The Board has approved the financial statements.



Marvin D. Clifton

President and Chief Executive Officer



Robert W. Sprinkhuysen

Chief Financial Officer

Calgary, Canada

March 14, 2011

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying consolidated financial statements of Technicoil Corporation (the "Entity"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of operations and retained earnings and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2010 and 2009, and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada

March 14, 2011

2010 FINANCIAL STATEMENTS

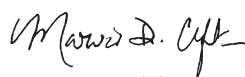
CONSOLIDATED BALANCE SHEETS

As at December 31, 2010 and 2009

<i>(Thousands)</i>	2010	2009
Assets		
Current assets:		
Cash	\$ 837	\$ –
Accounts receivable	26,011	11,562
Income taxes receivable	–	134
Inventory	1,593	2,231
Prepaid expenses and other current assets	536	579
	28,977	14,506
Intangible assets	–	369
Property, plant and equipment	75,215	76,316
	\$ 104,192	\$ 91,191
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ –	\$ 740
Accounts payable and accrued liabilities	14,627	6,828
Income taxes payable	3,131	–
Current portion of long-term debt	–	2,554
	17,758	10,122
Long-term debt	–	6,201
Future income taxes	10,550	9,155
	28,308	25,478
Commitments		
Shareholders' equity:		
Share capital	51,570	51,491
Contributed surplus	2,197	2,197
Retained earnings	22,117	12,025
	75,884	65,713
	\$ 104,192	\$ 91,191

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Marvin D. Clifton

Director



Leonard A. Cornez

Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years ended December 31, 2010 and 2009

<i>(Thousands, except per share data)</i>	2010	2009
Revenue	\$ 94,591	\$ 45,807
Operating expenses	65,497	35,527
Gross margin	29,094	10,280
General and administrative expenses	3,479	2,710
Bad debt (recovery) expense	(41)	662
Stock-based compensation <i>(note 9)</i>	1,979	98
Depreciation and amortization	8,740	9,615
Impairment of property, plant and equipment <i>(note 6)</i>	—	5,085
Gain on sale of assets	(97)	(216)
Interest on long-term debt	445	794
Other (revenue) expenses	(29)	49
Net income (loss) before income tax	14,618	(8,517)
Income tax expense (recovery): <i>(note 10)</i>		
Current	3,131	(100)
Future	1,395	(2,040)
	4,526	(2,140)
Net income (loss) and comprehensive income (loss)	10,092	(6,377)
Retained earnings, beginning of year	12,025	18,402
Retained earnings, end of year	\$ 22,117	\$ 12,025
Earnings (loss) per share: <i>(note 9)</i>		
Basic	\$ 0.14	\$ (0.09)
Diluted	\$ 0.14	\$ (0.09)

See accompanying notes to consolidated financial statements.

2010 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

<i>(Thousands)</i>	2010	2009
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the year	\$ 10,092	\$ (6,377)
Add (deduct) non-cash items:		
Depreciation and amortization	8,740	9,615
Impairment of property, plant and equipment	–	5,085
Gain on sale of assets	(97)	(216)
Stock-based compensation	1,979	98
Future income tax expense (recovery)	1,395	(2,040)
	22,109	6,165
Net change in non-cash working capital from operations	(7,021)	7,020
Cash flow from operating activities	15,088	13,185
Financing activities:		
Common shares issued	35	–
Net repayment of revolving term loans	(8,755)	(13,545)
Cash flow from financing activities	(8,720)	(13,545)
Investing activities:		
Acquisition of property, plant and equipment	(8,236)	(3,477)
Proceeds on sale of property, plant and equipment	1,063	2,255
Net change in non-cash working capital from the purchase of property, plant and equipment	2,382	(356)
Cash flow from investing activities	(4,791)	(1,578)
Net increase (decrease) in cash	1,577	(1,938)
Cash (bank indebtedness), beginning of year	(740)	1,198
Cash (bank indebtedness), end of year	\$ 837	\$ (740)
Cash income taxes recovered	\$ 134	\$ 5
Cash interest paid	\$ 129	\$ 542

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

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

1. DESCRIPTION OF BUSINESS

Technicoil Corporation (the “Corporation”) is a public company incorporated under the laws of the Province of Alberta and is in the business of providing well servicing and drilling services to the oil and gas industry. The Corporation is listed on the Toronto Stock Exchange, trading under the symbol “TEC”.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of presentation**

The consolidated financial statements include those of the Corporation and its 100% owned subsidiary. These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Certain comparative figures have been reclassified to the current year’s financial statement presentation.

(b) Inventory

Spare parts and coiled tubing inventory are recorded at the lower of cost or net realizable value with cost determined on an average or specific item basis, depending on the item.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is provided over their estimated useful lives 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

Major improvements or retrofits are capitalized. No depreciation is provided on assets under construction. Property, plant and equipment are assessed for impairment whenever changes in events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is required when the carrying amount of the assets exceeds the sum of the undiscounted cash flows expected to result from their use and eventual disposition. The impairment charge is the amount by which the carrying value exceeds the fair value of the assets, with fair value determined using discounted future cash flows.

(d) Intangible assets

Intangible assets, which are comprised of customer related assets and non-compete agreements, are amortized by the straight line method over their estimated useful lives of three years. Intangible assets are assessed for impairment whenever changes in events or changes in circumstances indicate that the carrying value may not be recoverable.

2010 FINANCIAL STATEMENTS

(e) Revenue recognition

The Corporation recognizes revenue at the time services are rendered based upon contractual rates established with customers.

(f) Stock-based compensation

The Corporation has a stock option plan which provides for the granting of options to Directors, officers and employees. This plan was amended on May 16, 2006, to provide option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised equal to the incremental value of the market price of the Corporation's shares versus the exercise price of the options exercised. This cash settlement option was not available for stock options granted by the Corporation prior to May 16, 2006. Under generally accepted accounting principles, stock options issued with a cash settlement option are required to be accounted for differently than stock options issued without a cash settlement option.

Stock options granted with the cash settlement option are recorded using the intrinsic-value method of accounting. Under this method, the Corporation accrues a liability and corresponding expense on a graded vesting basis representing the amount by which the market value of the common shares exceeds the exercise price of the stock options. The liability is revalued each reporting period based on the change in the market value for the Corporation's common shares and the number of graded vested options outstanding. The liability is reduced when the options are surrendered for cash. When the options are exercised for stock, the recorded liability amount is transferred to share capital.

For stock options granted without the cash settlement option, the fair value of the stock options granted is recorded as an expense over the vesting period with a corresponding increase recorded to contributed surplus. The fair value of the stock-based compensation is determined using the Black-Scholes option pricing model. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(g) Income taxes

The Corporation follows the asset and liability method of tax allocation accounting, whereby temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

(h) Earnings per share

Basic earnings per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method.

(i) Foreign currency translation

Transactions and non-monetary balances denominated in a foreign currency are translated into Canadian dollars using the exchange rates at the dates of the transactions; monetary balances are translated using the rate at the date of the balance sheet.

The accounts of the Corporation's United States subsidiary are translated into Canadian dollars under the temporal method of accounting whereby monetary items are translated at exchange rates in effect at the balance sheet date and non-monetary items translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(j) Use of estimates and measurement uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, estimated useful lives of assets for depreciation and amortization, asset impairment assessments, allowance for uncollectible accounts receivable, provisions for inventory obsolescence and provisions for income taxes.

Actual results could differ from these estimates. Circumstances giving rise to the uncertainty of the estimates include, but are not limited to, general economic conditions, industry conditions, the volatility of oil and gas prices and increased competition, all of which can significantly impact the estimated future cash flows of the Corporation used when assessing assets for impairment, the Corporation's ability to generate income sufficient to utilize loss carryforwards, and the Corporation's ability to collect on its outstanding accounts receivable. The provision for inventory obsolescence and the estimated useful lives of assets for depreciation and amortization are subject to uncertainty around the impact of technological changes, and the adoption of new environmental or other laws and regulations and changes in how they are interpreted and enforced.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

- (a)* Effective January 1, 2010, the Corporation adopted the Canadian Institute of Chartered Accountants' ("CICA's") revisions to Section 1506 "Accounting Changes" effective for fiscal years beginning on or after January 1, 2010. This section has been amended to exclude from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. On adoption, this standard did not have a material effect on the Corporation's consolidated financial statements.
- (b)* Effective January 1, 2011 and in accordance with the CICA's Accounting Standards Board's announcement, the Corporation will adopt International Financial Reporting Standards as issued by the IASB. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will result in some instances.

4. INVENTORY

	2010	2009
Coiled tubing	\$ 1,191	\$1,732
Spare parts	402	499
	\$ 1,593	\$2,231

The cost of inventories recognized in operating expenses during the year ended December 31, 2010 was \$7.6 million (2009 – \$4.4 million). There was no write-down of inventory to net realizable value for the years ended December 31, 2010 and 2009.

2010 FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS

	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Customer relations	\$ 912	\$ 912	\$ –	\$ 912	\$ 735	\$ 177
Non-compete contracts	986	986	–	986	794	192
	\$ 1,898	\$ 1,898	\$ –	\$ 1,898	\$ 1,529	\$ 369

6. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 167	\$ –	\$ 167	\$ 167	\$ –	\$ 167
Buildings	632	156	476	632	140	492
Office and computer equipment	1,086	908	178	943	806	137
Field equipment	115,135	44,606	70,529	116,120	40,600	75,520
Field equipment under construction	3,865	–	3,865	–	–	–
	\$ 120,885	\$ 45,670	\$ 75,215	\$ 117,862	\$ 41,546	\$ 76,316

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. At December 31, 2010, no impairment test was deemed necessary. A \$5.1 million impairment charge was recorded at December 31, 2009 as a result of the continued weakness in the shallow gas and coalbed methane market, depressed natural gas prices, restricted capital spending by exploration and production companies, the general excess of rigs available to service the shallow gas market in Canada, and operating efficiencies offered by newer equipment. The impairment related to the first generation hybrid drilling and coil well service rigs.

7. BANK OPERATING LOAN

The Corporation has a \$4.0 million (2009 – \$4.0 million) revolving operating credit facility. Under the operating line, the Corporation may borrow by either floating rate advances or through bankers' acceptances in Canadian dollars. Depending on certain financial ratios of the Corporation, the facility bears 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 facility is renewable annually with the next renewal date scheduled in May 2011.

The facility is collateralized by a general security agreement, a general assignment of book debts and a corporate guarantee from Technicoil USA, the Corporation's wholly owned subsidiary. The facility requires the Corporation to maintain certain covenants including a working capital ratio of 1.25:1 or greater; a debt to equity ratio of 1:1 or less; a funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio as defined in the agreement of 3:1 or less; and a fixed charge coverage ratio defined as EBITDA less cash taxes and unfunded capital expenditures compared to scheduled principal and interest payments of 1.25:1 or greater. The Corporation was in compliance with these covenants at December 31, 2010 and as at March 14, 2011. At December 31, 2010, \$nil (2009 – \$0.7 million) was drawn on this facility.

8. LONG-TERM DEBT

The Corporation has a \$21.0 million (2009 – \$31.0 million) committed revolving term facility available, renewable in May 2011 at the lenders option. The composition of the December 31 borrowings is as follows:

	2010	2009
Revolving term facility	\$ –	\$ 8,755
Less current portion	–	2,554
Long-term debt	\$ –	\$ 6,201

The financial terms of this facility allows the Corporation to borrow by either floating rate advances or through bankers' acceptances in Canadian dollars. Depending on certain financial ratios, this facility bears interest at the bankers' prime plus 1.00% to 3.00% or the bankers' acceptance rate plus a stamping fee of 2.50% to 4.25%. The effective interest rate on the debt was 4.50% in 2010 (2009 – 3.77%) with the entire amount consisting of floating prime rate based advances. To the extent the revolving term facility is not renewed, the outstanding balance becomes payable over a two year period, based on a two year amortization schedule. In the event the facility is termed out, the above interest rates shall increase by 0.375%.

The facility is collateralized by a general security agreement, a general assignment of book debts and a corporate guarantee from Technicoil USA, the Corporation's wholly owned subsidiary. The facility requires the Corporation to maintain certain covenants as disclosed in Note 7 to the consolidated financial statements. The Corporation was in compliance with these covenants at December 31, 2010 and as at March 14, 2011.

9. SHAREHOLDERS' EQUITY

(a) Changes in share capital and equity

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

Changes in the Corporation's equity for 2010 and 2009 are as follows:

	Common Shares		Contributed	Retained	Total
	Number	Amount	Surplus	Earnings	
Balance, December 31, 2008	72,683,848	\$ 51,491	\$ 2,197	\$ 18,402	\$ 72,090
Net loss and comprehensive loss	–	–	–	(6,377)	(6,377)
Balance, December 31, 2009	72,683,848	\$ 51,491	\$ 2,197	\$ 12,025	\$ 65,713
Issuance of shares upon exercise					
of stock options	61,667	35	–	–	35
Compensation cost of options exercised	–	44	–	–	44
Net income and comprehensive income	–	–	–	10,092	10,092
Balance, December 31, 2010	72,745,515	\$ 51,570	\$ 2,197	\$ 22,117	\$ 75,884

(b) Stock option plan

The Corporation's stock option plan entitles the option holder to acquire common shares of the Corporation at an exercise price, established at the time of grant, after vesting but before expiry. For options issued after May 16, 2006, the option holder may elect to receive a direct cash payment in exchange for options exercised equal to the incremental value of the market price of the Corporation's shares versus the exercise price of the options surrendered.

2010 FINANCIAL STATEMENTS

Options granted under the Corporation's stock option plans vest as to one third annually on the anniversary date of the grant and expire five years after the date granted. The exercise price is established based on the weighted average market price of the Corporation's stock on the five days preceding the date of the grant. At December 31, 2010, the Corporation had approval to grant up to 4,682,850 (2009 – 4,744,517) common shares under the current stock option plan of which 792,184 (2009 – 1,033,517) remain available for granting.

The following tables summarize the information regarding options to purchase common shares of the Corporation:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Stock options outstanding, beginning of year	3,711,000	\$ 1.03	3,637,000	\$ 1.47
Granted	1,099,000	1.25	943,000	0.45
Exercised	(61,667)	0.57	–	–
Expired	(585,000)	3.09	(492,000)	2.65
Forfeited	(272,667)	0.79	(377,000)	1.68
Stock options outstanding, end of year	3,890,666	\$ 0.81	3,711,000	\$ 1.03
Exercisable at end of year	1,970,014	\$ 0.71	1,919,668	\$ 1.55

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Contractual Life	Weighted Average Exercise price	Number Exercisable	Weighted Average Exercise price
\$ 0.45 – 0.49	1,601,666	3.38	\$ 0.45	790,014	\$ 0.45
0.59 – 0.85	780,000	1.81	0.61	773,333	0.61
1.19 – 1.30	1,459,000	3.90	1.26	356,667	1.28
2.42 – 2.42	50,000	0.49	2.42	50,000	2.42
\$ 0.45 – 2.42	3,890,666	3.23	\$ 0.81	1,970,014	\$ 0.71

(c) Stock-based compensation

For stock options granted with the cash settlement option, the amount by which the market value of the Corporation's common shares exceeds the exercise price of the stock options is recorded as an expense with the offset to a liability account on a graded vesting basis. A stock-based compensation expense of \$2.0 million was recorded in 2010 (2009 – \$0.1 million) related to stock options granted with the cash settlement option as the exercise price of the stock options exceeded the market price of the common shares at December 31, 2010. The total liability for stock-based compensation as at December 31, 2010 was \$2.0 million (2009 – \$0.1 million). There are currently 3,890,666 (2009 – 3,126,000) options outstanding with a weighted average exercise price of \$0.81 that include the cash settlement option.

As at December 31, 2010, there were nil (2009 – 585,000) stock options outstanding without the cash settlement option and \$nil (2009 – \$nil) has been recorded as an expense in the year representing the fair value cost of issuing these stock options.

(d) Earnings per share

Earnings per common share is calculated using the weighted average number of common shares outstanding during the year. The weighted average number of Class A common shares outstanding for the year ended December 31, 2010 and 2009 are as follows:

	Net income	2010 Weighted average shares outstanding	Per share	Net loss	2009 Weighted average shares outstanding	Per share
Basic	\$ 10,092	72,691,898	\$ 0.14	\$ (6,377)	72,683,848	\$ (0.09)
Weighted average options assumed exercised		2,532,925			–	
Shares assumed purchased		(1,159,910)			–	
Diluted	\$ 10,092	74,064,913	\$ 0.14	\$ (6,377)	72,683,848	\$ (0.09)

For the year ended December 31, 2010, there were 901,707 (2009 – 3,457,853) options 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.

10. INCOME TAXES

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rates before income taxes. The difference relates to the following items:

	2010	2009
Statutory income tax rate	28.0%	29.0%
Expected income tax expense (recovery)	\$ 4,093	\$ (2,470)
Changes resulting from:		
Impact of future income tax rate changes	(175)	300
Non-deductible stock-based compensation expense	582	–
Non-deductible items	42	45
Other	(16)	(15)
	\$ 4,526	\$ (2,140)

The components of the net future income tax liability at December 31 are as follows:

	2010	2009
Property, plant and equipment	\$ 10,591	\$ 10,342
Non-capital losses available for carryforward	–	(1,202)
Intangible assets	–	103
Acquisition related items	(46)	(78)
Other	5	(10)
	\$ 10,550	\$ 9,155

The Corporation has undepreciated capital cost allowance pools of \$28.9 million at December 31, 2010 (2009 – \$34.9 million).

2010 FINANCIAL STATEMENTS

11. COMMITMENTS

- (a) The Corporation has annual commitments under operating leases for vehicles, office equipment and office premises as follows:

Year ending December 31	Total
2011	\$ 632
2012	553
2013	532
2014	390
2015	361
Thereafter	60
	\$ 2,528

- (b) As at December 31, 2010, the Corporation has \$2.9 million of capital commitments related to capital projects in progress.

12. CAPITAL DISCLOSURES

The Corporation's primary objectives of capital management are:

- to safeguard the Corporation's ability to continue as a going concern and to provide returns for shareholders;
- to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level;
- to manage capital in a manner which balances the interests of equity and debt holders; and
- to maintain a strong financial position in order to support the current businesses and to facilitate the growth strategy of the Corporation, whether through organic growth or acquisition.

The Corporation considers cash, long-term debt and shareholders' equity as capital of the Corporation. The Corporation manages its capital balances, taking into consideration the objectives listed above. One of the metrics the Corporation utilizes to monitor its capital balances is the debt to equity ratio. For the purposes of this calculation, debt is defined as long-term debt (including current portion) divided by shareholders' equity. The Corporation's debt to equity ratio as at December 31, 2010 was 0:1 (2009 – 0.13:1). This debt to equity ratio will fluctuate depending upon the capital needs required to fund the Corporation's future business operations. The decision to utilize debt versus equity will vary depending upon internal and external factors present at the time the capital resource need arises.

The Corporation performs long-term and short-term cash flow forecasts to ensure an adequate amount of liquidity, and monitors these forecasts against actual financial results. In addition, the Corporation's debt facility requires the Corporation to maintain certain covenants as disclosed in Note 7 and Note 8 to the consolidated financial statements. These covenants are monitored regularly throughout the year in order to ensure compliance is maintained. The Corporation was in compliance with these covenants at December 31, 2010 and March 14, 2011. These overall objectives, policies and processes, as well as the Corporation's definition of capital, remain unchanged from prior years.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation has designated its financial instruments as follows: cash is classified as held-for trading and is measured at fair value; accounts receivable are classified as loans and receivables which are measured at amortized cost; accounts payable and accrued liabilities, income taxes payable, and long-term debt are classified as other financial liabilities which are also measured at amortized cost. The fair values of the accounts receivable, accounts payable and accrued liabilities and income taxes payable approximate their carrying values due to their short-term nature. The fair value of the Corporation's long-term debt approximates its carrying values due to the floating interest rate terms.

The Corporation has exposure to credit, liquidity and market risk as follows:

(a) Credit Risk

The majority of the Corporation's accounts receivable are with customers in the petroleum and natural gas industry. 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 December 31, 2010 and 2009, the Corporation's accounts receivable are aged as follows:

	2010	2009
Current	\$ 10,965	\$ 6,398
31–60 days outstanding	11,071	3,220
61–90 days outstanding	1,983	830
Greater than 90 days outstanding	2,248	1,375
	26,267	11,823
Less allowance for doubtful accounts	(256)	(261)
Accounts receivable	\$ 26,011	\$ 11,562

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

The Corporation had two Well Servicing customers which each provided at least 10% of the Corporation's total revenue for the year ended December 31, 2010. These customers accounted for \$16.4 million or 17% and \$12.7 million or 13%, respectively, of the Corporation's revenue during the year. As at December 31, 2010, the Corporation's accounts receivable included \$3.8 million and \$2.8 million, respectively, outstanding from these customers.

For the year ended December 31, 2009, Technicoil had a different customer which provided 16% or \$7.2 million of the Corporation's total revenue. As at December 31, 2009, the Corporation's accounts receivable included \$nil outstanding from this customer.

(b) Liquidity Risk

Liquidity risk relates to the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The financial liabilities on the consolidated balance sheet consist of accounts payable and accrued liabilities, income taxes payable and long-term debt which are all measured at amortized cost.

2010 FINANCIAL STATEMENTS

The following are the contractual maturities of the Corporation's financial liabilities as at December 31, 2010:

	2011	2012	2013	2014	Thereafter	Total
Accounts payable and accrued liabilities	\$ 14,627	\$ -	\$ -	\$ -	-	\$ 14,627
Income taxes payable	3,131	-	-	-	-	3,131
Operating lease commitments	632	553	532	390	421	2,528
Capital commitments	2,907	-	-	-	-	2,907
Total	\$ 21,297	\$ 553	\$ 532	\$ 390	\$ 421	\$ 23,193

The Corporation may be exposed to liquidity risk if it is unable to collect its trade account receivable balances on a timely basis, which in turn could impact the Corporation's ability to meet commitments under its credit facility, or if the credit facility is not renewed annually requiring the Corporation to make schedule principal repayments. 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. Long and short term cash flow forecasts are prepared and monitored to ensure adequate liquidity. The Corporation has sufficient capacity within its revolving credit facility and operating line to meet current and forecasted liquidity requirements.

(c) *Market Risk*

Market risk is comprised of interest rate risk, currency risk and other price risks which consist primarily of fluctuations in commodity prices.

(i) **Interest rate risk**

The Corporation is not exposed to interest rate price risk as both its revolving loan and operating line have floating interest rate terms. However, the floating interest rate terms do give rise to interest rate cash flow risk as interest payments are recalculated as the market rates change. For the year ended December 31, 2010, a 1% change in interest rates would have impacted net income by less than \$0.1 million. The Corporation had no interest rate swaps or hedges during the year ended, or at, December 31, 2010.

(ii) **Foreign currency risk**

The Corporation's operations are based in Canada, therefore, it is not exposed to foreign exchange risk other than from nominal United States dollar denominated purchases made during the course of normal operations. Any change in the foreign currency rates would not have a material impact on the Corporation's financial assets or liabilities.

(iii) **Commodity price risk**

The Corporation is not directly exposed to commodity price risk as it does not have any contracts which are directly based on commodity prices. A change in commodity prices, specifically petroleum and natural gas prices, could have an impact on oil and gas production levels and could therefore affect the demand for drilling and services to oil and gas customers. However, given that this is an indirect influence, the financial impact for the Corporation of changing petroleum and natural gas prices cannot be quantified.

14. SEGMENTED INFORMATION

The Corporation operates in two areas in the oil and gas service industry – well servicing and drilling. The same accounting procedures and policies are applied to the well servicing and drilling segments.

	Year ended December 31, 2010				Year ended December 31, 2009			
	Well		Shared	Total	Well		Shared	Total
	Servicing	Drilling			Servicing	Drilling		
Revenue	\$ 83,449	\$ 11,142	–	\$ 94,591	\$ 38,818	\$ 6,989	–	\$ 45,807
Operating expenses	56,129	9,368	–	65,497	29,115	6,412	–	35,527
Gross margin	27,320	1,774	–	29,094	9,703	577	–	10,280
Bad debt (recovery) expense	(41)	–	–	(41)	412	250	–	662
Depreciation and amortization	5,383	3,207	150	8,740	5,574	3,822	219	9,615
(Gain) loss on sale of assets	(121)	24	–	(97)	(339)	126	(3)	(216)
Impairment of property, plant and equipment	–	–	–	–	1,719	3,366	–	5,085
	22,099	(1,457)	(150)	20,492	2,337	(6,987)	(216)	(4,866)
Non-segmented costs				10,400				1,511
Net income (loss)				\$ 10,092				\$ (6,377)
Intangible assets	\$ –	–	–	\$ –	\$ 369	–	–	\$ 369
Property, plant and equipment:								
Assets under construction	3,865	–	–	3,865	–	–	–	–
Rigs and equipment	46,302	24,095	953	71,350	48,375	26,960	981	76,316
	\$ 50,167	\$ 24,095	\$ 953	\$ 75,215	\$ 48,375	\$ 26,960	\$ 981	\$ 76,316
Property, plant and equipment expenditures	\$ 7,531	\$ 563	\$ 142	\$ 8,236	\$ 3,169	\$ 243	\$ 65	\$ 3,477

FIVE YEAR SUMMARY

FINANCIAL & OPERATING SUMMARIES

	2010	2009	2008	2007	2006
<i>Financial</i> (\$000's except per share date)(unaudited)					
Revenue					
Well servicing	\$ 83,449	\$ 38,818	\$ 45,828	\$ 25,193	\$ 22,465
Drilling	11,142	6,989	16,451	15,962	21,401
Total revenue	94,591	45,807	62,279	41,155	43,866
Gross margin	29,094	10,280	18,620	13,455	17,052
Gross margin %	31%	22%	30%	33%	39%
General and administrative	3,479	2,710	3,230	2,788	3,365
G&A%	3.7%	5.9%	5.2%	6.8%	7.7%
EBITDA ¹	25,782	7,075	15,678	11,290	14,653
Net income (loss) ²	10,092	(6,377)	(3,380)	2,545	5,596
Per share:					
Basic	0.14	(0.09)	(0.05)	0.04	0.10
Diluted	0.14	(0.09)	(0.05)	0.04	0.10
Adjusted net income (loss) ¹	10,092	(2,563)	4,011	2,545	5,596
Per share:					
Basic	0.14	(0.04)	0.06	0.04	0.10
Diluted	0.14	(0.04)	0.06	0.04	0.10
Funds flow from operations ¹	22,109	6,165	14,551	10,703	13,293
Capital expenditures, net	7,173	1,222	6,835	4,751	13,076
Total assets	104,192	91,191	112,409	115,243	92,387
Long-term debt (including current portion)	–	8,755	22,300	24,500	21,750
Debt to equity ¹	–	0.13	0.31	0.33	0.36
<i>Operating</i>					
Number of rigs as at December 31					
Well servicing	26	26	26	27	20
Drilling	5	6	7	6	6
Other	2	-	-	-	-
Well servicing operating hours	77,215	40,201	46,241	21,735	15,390
Drilling operating days	636	434	931	842	1,017

1. Readers are cautioned that EBITDA, adjusted net income (loss), funds flow from operations, and debt to equity ratio are considered to be non-GAAP measures that do not have standardized meanings prescribed by GAAP. See "Definitions of Non-GAAP Measures" on pages 24 & 25 for the Corporation's definitions of these measures.

2. The net loss incurred in 2009 and 2008 are inclusive of an impairment charge on property, plant and equipment of \$3.8 million, and a goodwill impairment charge of \$7.4 million, net of tax respectively.

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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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