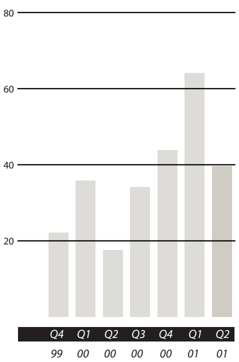
2001 second quarter report

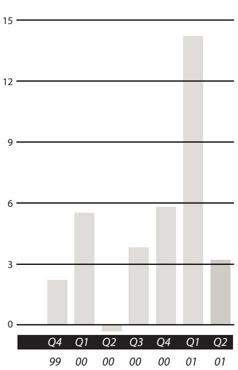
TRICAN WELL SERVICE LTD.

FINANCIAL REVIEW

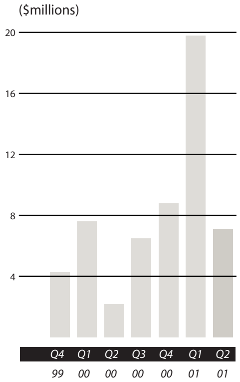
REVENUE ($millions)



NET INCOME ($millions)



FUNDS FROM OPERATIONS ($millions)



($ millions, except per share amounts, unaudited)	Three months ended June 30,		Six months ended June 30,	
	2001	2000	**2001**	2000
Revenue	**$ 39.6**	$ 17.5	**$ 103.7**	$ 53.2
Earnings before interest, income taxes and depreciation & amortization (EBITDA)	**7.7**	1.6	**33.7**	12.5
Net income (loss)	**3.2**	(0.3)	**17.4**	5.2
Net income (loss) per share before goodwill amortization				
(basic)	**0.21**	(0.01)	**1.09**	0.35
(diluted)	**0.20**	(0.01)	**1.04**	0.33
Net income (loss) per share				
(basic)	**0.20**	(0.02)	**1.07**	0.33
(diluted)	**0.19**	(0.02)	**1.01**	0.31
Funds from operations	**7.1**	2.2	**26.9**	9.8
Funds from operations per share				
(basic)	**0.43**	0.14	**1.65**	0.62
(diluted)	**0.41**	0.14	**1.56**	0.58

Trican Well Service Ltd. ("Trican") is pleased to announce its financial and operating results for the quarter and six months ended June 30, 2001, during which, the Company achieved record second quarter revenues, net income and cash flow. Revenue increased 127% for the three months and 95% for the six months ended June 30 over the comparable periods in 2000. This increase reflects a high level of demand for services, favourable weather conditions and an active shallow gas directed services market.

The Company generated net income of $3.2 million, a significant improvement over the $0.3 million loss recorded for the second quarter of 2000. Earnings per share of $0.20 ($0.19 diluted) were recorded this quarter, again a significant improvement over the loss per share of $0.02 ($0.02 diluted) recorded in the second quarter of 2000. Net income and earnings per share for the current period reflect the impact of a 2% reduction in the Alberta Corporate tax rate enacted during the quarter. As a result of this reduction and the revaluation of the future tax liability, net income for the period was increased by $0.5 million which, in turn, increased diluted earnings per share by $0.03. Funds from operations increased $4.9 million or 220% for the quarter over the comparable period in 2000.

For the six months ended June 30, net income of $17.4 million increased 235% over net income of $5.2 million recorded for the same period in 2000. Earnings per share of $1.07 ($1.01 diluted) for the year to date are a 224% improvement over the $0.33 ($0.31 diluted) recorded for the same period in 2000. Funds from operations increased $17.0 million or 173% over the comparable period in 2000.

Recent commodity prices have produced strong cash flows for oil and gas producers which have translated into high demand for services for our industry during the quarter. The number of jobs completed during the quarter increased 105% over the same period in 2000 reflecting both the strong demand for services as well as Trican's expanded equipment capacity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

WELL SERVICE DIVISION

During the quarter, the Well Service Division, which includes deep coiled tubing, nitrogen, fracturing and pumping services, increased revenue on a year-over-year basis by 125%. Material and operating expenses (including depreciation) associated with these activities fell from 96.9% of revenue in the second quarter of 2000 to 80.7% in the current period. This improvement is due to strong demand from coiled tubing fracturing services as a result of increased shallow gas directed drilling, higher activity levels, pricing recovery and an improvement in equipment utilization consistent with the higher demand for services in the quarter.

PRODUCTION SERVICES DIVISION

The Production Services Division comprises the intermediate depth coiled tubing services, stimulation services and jet pumping. During the quarter, the Production Services Division increased revenue on a year-over-year basis by 150% due to the addition of the pressure pumping assets of Canadian Oilfield Stimulation Services, acquired in December 2000, and the expanded operating capacity in our intermediate depth coiled tubing units. Material and operating expense (including depreciation) associated with these activities exceeded revenue in the quarter producing a loss of $0.9 million for the quarter compared to a loss of $0.2 million in the same period of 2000. Demand for production services was at levels typically seen in the second quarter and which typically produce operating losses. Trican expects demand to increase in the third and fourth quarters.

OTHER EXPENSES

General and administrative expenses were 2.2% of revenue for the quarter, down from 2.9% for the same period in 2000. Interest expense remained consistent with previous periods at 1.6% of revenue for the quarter and depreciation increased by $0.7 million for the quarter relative to the same period in 2000. This non-cash expense has increased as a result of the continued expansion of the Company's equipment capacity. Trican continues to maintain its strong balance sheet with a working capital position of $12.9 million and relatively low levels of long-term debt compared to equity. Working capital improved $7.1 million or 123% from December 31, 2000 levels.

LIQUIDITY

Funds from operations for the three months and six months ended June 30, 2001 amounted to $7.1 million and $26.9 million respectively. These levels represent increases of 220% and 173% over the same periods in 2000. Capital expenditures for the quarter amounted to $10.7 million, bringing the total for the year to June 30 to $22.3 million. On a year-to-date basis, this level of investment was 53% higher than the first six months of 2000. This aggressive investment in operating assets, almost $110 million since 1997, has provided the Company with the equipment fleet that produced the strong growth in sales this year and represents the Company's commitment to becoming the leading supplier of well services in Canada.

At June 30, the Company had working capital of $12.9 million compared to $5.8 million at the end of 2000. The Company has an operating line of credit to finance working capital requirements, the maximum availability under which is $15.0 million, subject to certain conditions. At June 30, 2001 $2.3 million was drawn on this facility. The inventory of operating supplies, parts and materials required to carry on daily operations remain at levels consistent with those at December 31, 2000.

CAPITAL RESOURCES

Trican had long-term debt, excluding current portion, of $22.1 million at the end of the second quarter compared with $20.3 million at the end of 2000. The increase in long-term debt is related to funding of equipment purchases. The Company believes that its strong balance sheet and unutilized borrowing capacity combined with funds from operations will provide sufficient capital resources to fund its on-going operations and future expansion.

INVESTING ACTIVITIES

Capital expenditures of $22.3 million were incurred during the first six months of 2001 compared with $14.6 million during the same period in 2000. These additions expanded operating capacity in all service lines and this capital program was funded by cash flow from operations and through existing equipment debt facilities. At June 30, the Company had a number of ongoing capital projects estimated to require $32.4 million of additional investment to complete.

CASH REQUIREMENTS

The Company has historically financed its capital expenditures with funds from operations, equity issues and debt. Capital expenditures for 2001 are expected to be $43 million and will be financed by funds from operations and/or credit facilities.

BUSINESS RISKS

The demand for Trican's services is largely dependent upon the level of expenditures by oil and gas companies on exploration, development and production activities. The price received by our customers for the crude oil and natural gas they produce has a direct impact on cash flow available to them to finance the acquisition of services provided by the Company. Exploration, development and production activities are also influenced by a number of factors including taxation and regulatory changes, access to pipeline capacity and changes in equity markets. Demand for crude oil and natural gas is also strongly influenced by the strength of the global economy, but particularly the strength of the U.S. economy. A slow down in the U.S. economy could weaken demand for crude oil and natural gas and reduce the demand for well services.

A more complete discussion on the business risks faced by the Company may be found in Trican's 2000 Annual Report.

As the demand for well services is strongly influenced by a number of different factors, the Company believes that it is difficult to predict, with any degree of accuracy, future levels of activity. To mitigate this risk, Trican has maintained a streamlined operation and effective cost structures so that it can respond quickly to evolving markets conditions. In addition, our strong balance sheet and adherence to conservative financing practices provides the resilience to withstand, and benefit from, volatility in activity levels in our sector.

OUTLOOK

Trican's revenue, net income, earnings per share and cash flow were the highest recorded in the Company's history for a second quarter. Demand for services was higher than is typically seen during this period as a result of the high oil and natural gas prices witnessed in the past year. Recent increases in natural gas storage levels suggest that production is running ahead of demand and has led to lower prices. As a result, some industry watchers are predicting lower levels of activity for the balance of the year than was previously estimated. However even these downward revised levels of activity for 2001 and 2002 are expected to be at record or near record levels.

CONSOLIDATED BALANCE SHEETS

Unaudited	**June 30, 2001**	December 31, 2000
ASSETS		
Current assets		
Cash	**$ –**	$ 475,064
Trade accounts receivable	**33,192,054**	31,126,875
Other accounts receivable	**1,141,377**	1,036,679
Inventory	**3,972,164**	4,164,257
Prepaid expenses	**1,915,881**	1,292,071
	40,221,476	38,094,946
Capital assets	**102,105,830**	84,525,253
Goodwill	**7,542,348**	7,998,386
	$ 149,869,654	$ 130,618,585
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	**$ 5,647,000**	$ –
Bank loans	**2,325,000**	3,825,000
Accounts payable and accrued liabilities	**13,139,076**	20,926,365
Current income taxes payable	**2,632,974**	4,579,006
Current portion of long-term debt (note 3)	**3,585,082**	2,996,209
	27,329,132	32,326,580
Long-term debt (note 3)	**22,059,827**	20,329,446
Future income taxes	**12,479,834**	8,209,528
Shareholders' equity		
Share capital (note 4)	**44,965,010**	44,120,396
Retained earnings	**43,035,851**	25,632,635
	88,000,861	69,753,031
	$ 149,869,654	$ 130,618,585

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Unaudited	**Three Months Ended June 30, 2001**	Three Months Ended June 30, 2000	**Six Months Ended June 30, 2001**	Six Months Ended June 30, 2000
Revenue	**$ 39,608,753**	$ 17,461,495	**$ 103,676,892**	$ 53,231,259
Expenses				
Materials and operating	**31,034,621**	15,367,992	**67,436,059**	39,148,241
General and administrative	**865,934**	508,605	**2,527,182**	1,557,756
Interest expense	**627,935**	320,421	**1,336,856**	566,358
Depreciation	**2,371,668**	1,713,179	**4,727,827**	3,108,189
	34,900,158	17,910,197	**76,027,924**	44,380,544
Income (loss) before income taxes and goodwill amortization	**4,708,595**	(448,702)	**27,648,968**	8,850,715
Provision for income taxes	**1,262,178**	(283,085)	**9,789,714**	3,350,908
Net income (loss) before goodwill amortization	**3,446,417**	(165,617)	**17,859,254**	5,499,807
Goodwill amortization, net of income taxes	**228,019**	157,373	**456,038**	305,321
Net income (loss)	**3,218,398**	(322,990)	**17,403,216**	5,194,486
Retained earnings, beginning of period	**39,817,453**	16,334,090	**25,632,635**	11,359,562
Change in accounting policy				
(Change in method of accounting for income taxes)	**–**	–	**–**	(542,948)
Retained earnings, end of period	**$ 43,035,851**	$ 16,011,100	**$ 43,035,851**	$ 16,011,100
Earnings (loss) per share before goodwill amortization:				
Basic	**$ 0.21**	$ (0.01)	**$ 1.09**	$ 0.35
Diluted	**$ 0.20**	$ (0.01)	**$ 1.04**	$ 0.33
Earnings (loss) per share:				
Basic	**$ 0.20**	$ (0.02)	**$ 1.07**	$ 0.33
Diluted	**$ 0.19**	$ (0.02)	**$ 1.01**	$ 0.31

CONSOLIDATED CASH FLOW STATEMENTS

Unaudited	**Three Months Ended June 30, 2001**	Three Months Ended June 30, 2000	**Six Months Ended June 30, 2001**	Six Months Ended June 30, 2000
Cash Provided By (Used In):				
Operations				
Net income (loss)	**$ 3,218,398**	$ (322,990)	**$ 17,403,216**	$ 5,194,486
Changes to income not involving cash				
Depreciation and amortization	**2,599,687**	1,870,552	**5,183,865**	3,413,510
Future income taxes	**1,262,178**	739,063	**4,270,306**	1,300,663
Gain on disposal of capital assets	**–**	(74,926)	**–**	(74,926)
Funds from operations	**7,080,263**	2,211,699	**26,857,387**	9,833,733
Net change in non-cash working capital from operations	**105,014**	5,662,870	**(10,802,448)**	1,605,983
	7,185,277	7,874,569	**16,054,939**	11,439,716
Investments				
Purchase of capital assets	**(10,743,934)**	(7,778,700)	**(22,308,404)**	(14,575,692)
Proceeds on disposal of capital assets	**–**	498,329	**–**	498,329
Acquisition of subsidiary	**–**	–	**–**	(3,366,231)
Net change in non-cash working capital from the purchase and disposal of capital assets	**(1,033,519)**	(591,198)	**(1,532,467)**	873,563
	(11,777,453)	(7,871,569)	**(23,840,871)**	(16,570,031)
Financing				
Net proceeds from issuance of share capital	**175,000**	324,504	**844,614**	664,773
Issuance of long-term debt	**–**	–	**26,903,815**	5,407,843
Repayment of long-term debt	**(913,752)**	(293,129)	**(24,584,561)**	(972,698)
Increase in bank indebtedness	**5,647,000**	–	**5,647,000**	–
Decrease in short-term borrowings	**(3,560,000)**	–	**(1,500,000)**	–
	1,348,248	31,375	**7,310,868**	5,099,918
Increase (decrease) in cash position	**(3,243,928)**	34,375	**(475,064)**	(30,397)
Cash position, beginning of period	**3,243,928**	795,904	**475,064**	860,676
Cash position, end of period	**$ –**	$ 830,279	**$ –**	$ 830,279

The Company's accounting policies applied to these consolidated financial statements are consistent with those described in the 2000 Annual Report, except for the Change in Accounting Policy described below.

The Company's businesses are seasonal in nature with the highest activity in the winter months (first and fourth fiscal quarters) and the lowest activity during spring break-up (second fiscal quarter) due to road weight restrictions and reduced accessibility to remote areas.

NOTE 1 – CHANGE IN ACCOUNTING POLICY

Effective for 2001, the Company adopted the treasury stock method for calculation of diluted earnings per share under which deemed proceeds of the exercise of options and warrants are considered to be used to re-acquire common shares at an average share price. Previously, additional earnings were imputed based on the proceeds resulting from the exercise of options and warrants. The Company has adopted this calculation retroactively with restatement of the prior year. As a result, for the three months ended June 30, 2001, the diluted calculation under the new standard results in the same per share amount of $0.19 (2000 - $(0.02)) per share. For the six months ended June 30, 2001, the fully diluted calculation has been increased by $0.02 (2000 – $nil) per share to produce a diluted calculation under the new standard of $1.01 (2000 - $0.31) per share.

NOTE 2 – SEGMENTED INFORMATION

The Company has two operating divisions providing different products and services to the Company's customers. The operating divisions are:

- **Well Services** – provides a comprehensive array of specialized products, equipment, services and technology primarily for use in the drilling, completion, and stimulation of new oil and gas wells in western Canada;
- **Production Services** – provides a comprehensive array of specialized products, equipment, services and technology primarily for use in the stimulation and reworking of existing oil and gas wells in western Canada.

	Well Services	Production Services	Corporate	Total
Three months ended June 30, 2001				
Revenue	**$ 36,972,270**	**$ 2,636,483**	**$ –**	**$ 39,608,753**
Income before income taxes and goodwill amortization	**7,133,374**	**(884,868)**	**(1,539,911)**	**4,708,595**
Assets	**126,368,573**	**23,180,535**	**320,546**	**149,869,654**
Capital expenditures	**10,163,312**	**275,493**	**305,129**	**10,743,934**
Three months ended June 30, 2000				
Revenue	$ 16,403,704	$ 1,057,791	$ –	$ 17,461,495
Income before income taxes and goodwill amortization	500,810	(130,776)	(818,736)	(448,702)
Assets	78,210,881	12,329,982	830,279	91,371,142
Capital expenditures	7,511,778	266,922	–	7,778,700
Six months ended June 30, 2001				
Revenue	**$ 94,102,842**	**$ 9,574,050**	**$ –**	**$103,676,892**
Income before income taxes and goodwill amortization	**30,988,925**	**1,164,717**	**(4,504,674)**	**27,648,968**
Assets	**126,368,573**	**23,180,535**	**320,546**	**149,869,654**
Capital expenditures	**21,156,564**	**846,711**	**305,129**	**22,308,404**
Six months ended June 30, 2000				
Revenue	$ 49,350,302	$ 3,880,957	$ –	$ 53,231,259
Income before income taxes and goodwill amortization	10,122,421	1,233,476	(2,505,182)	8,850,715
Assets	78,210,881	12,329,982	830,279	91,371,142
Capital expenditures	14,259,552	316,140	–	14,575,692

NOTE 3 – LONG-TERM DEBT

Long-term debt comprises the following:

	June 30, 2001	December 31, 2000
Capital lease obligations	$ 25,644,909	$ -
Equipment loan	-	23,325,655
Less: Current portion	3,585,082	2,996,209
	$ 22,059,827	$ 20,329,446

During the six months ended June 30, 2001, the Company restructured its financing arrangement by entering into long-term capital lease obligations totaling $27.0 million, of which, $23.3 million was used to repay the outstanding equipment loan. The capital lease obligations bear interest at an average rate of 8.15% per annum, repayable on a monthly basis amortized over a seven-year term. The capital lease obligations contain no financial covenants and are secured by a pledge of specific assets.

NOTE 4 – SHARE CAPITAL

The issued and outstanding common shares of the Corporation along with securities convertible into common shares are as follows:

	June 30, 2001	December 31, 2000
Issued and outstanding:		
Common shares	16,401,361	16,134,486
Securities convertible into common shares:		
Employee stock options	1,332,850	1,275,625
Common share purchase warrants	200,000	200,000
	17,934,211	17,610,111

BOARD OF DIRECTORS

Kenneth M. Bagan (1) (2)
Vice President, Corporate Development and General Counsel, Tesco Corporation

Gary R. Bugeaud (2)
Partner, Burnet, Duckworth & Palmer

Murray L. Cobbe
President and Chief Executive Officer

Donald R. Luft
Senior Vice President, Operations and Chief Operating Officer

Douglas F. Robinson (1) (2)
Chairman and Chief Executive Officer
Integrated Production Services Ltd.

Victor J. Stobbe (1)
President, American Leduc Petroleums Limited

(1) Member of the Audit Committee
(2) Member of the Compensation Committee

OFFICERS

Murray L. Cobbe
President and Chief Executive Officer

Donald R. Luft
Senior Vice President, Operations and Chief Operating Officer

Michael G. Kelly, C.A.
Vice President, Finance, Chief Financial Officer and Corporate Secretary

Dale M. Dusterhoft
Vice President, Technical Services

David L. Charlton
Vice President, Sales & Marketing

Michael A. Baldwin, C.A.
Manager, Finance

Nadine Godlonton, C.G.A.
Controller

CORPORATE OFFICE
Trican Well Service Ltd.
2900, 645 - 7th Avenue S.W.
Calgary, Alberta T2P 4G8

Telephone: (403) 266-0202
Facsimile: (403) 237-7716
Website: www.trican.ca

AUDITORS
KPMG LLP, Chartered Accountants
Calgary, Alberta

SOLICITORS
Burnet, Duckworth & Palmer, Calgary, Alberta

BANKERS
Royal Bank of Canada, Calgary, Alberta

REGISTRAR AND TRANSFER AGENT
Computershare Trust Company of Canada
Calgary, Alberta

STOCK EXCHANGE LISTING
The Toronto Stock Exchange
Trading Symbol: TCW

INVESTOR RELATIONS INFORMATION

Requests for information should be directed to:

Murray L. Cobbe
President and Chief Executive Officer

Michael G. Kelly, C.A.
Vice President, Finance, Chief Financial Officer and Corporate Secretary