



**FLINT ENERGY SERVICES**  
**INTEGRATED. INTEGRAL.**



**Q1**  
**QUARTERLY**  
**REPORT**

FOR THE THREE MONTHS ENDED MARCH 31, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Flint Energy Services Ltd. ("Flint" or the "Company") should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2008 and accompanying notes. The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars.

Flint Energy Services Ltd. is a market leader providing a range of integrated products and services for the oil and gas industry including: production services; field construction; oilfield transportation; process equipment design and manufacturing; and tubular management services. Flint provides this unique breadth of products and services through over 60 locations in the oil and gas producing areas of western North America, from Inuvik in the Northwest Territories to Mission, Texas on the Mexican border. Flint is a preferred provider of infrastructure construction management, module fabrication, and maintenance services for upgrading and production facilities in Alberta's oil sands sector. The Company's common stock is traded on the Toronto Stock Exchange under the symbol "FES".

### **Advisory Regarding Forward Looking Statements**

*This report dated as at May 12, 2009 contains forward-looking statements under the heading "Outlook" and elsewhere concerning future events or the Company's future performance, including the Company's projected operating results for 2009 and beyond, and anticipated capital expenditure trends and drilling activity in the oil and gas industry. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Actual events or results may differ materially from those reflected in the Company's forward-looking statements due to a number of known and unknown risks, uncertainties and other factors affecting the Company's business and the oil and gas industry generally. These factors include, but are not limited to, fluctuations in oil and gas prices, fluctuations in the level of oil and gas industry capital expenditures and expenditures on production and remedial work and other factors that affect demand for the Company's services, industry competition, the need to effectively integrate acquired businesses, uncertainties as to the Company's ability to implement its business strategy effectively in Canada and the United States, political and economic conditions, the Company's ability to attract and retain key personnel, and other risks and uncertainties described under the heading "Risk Factors" and elsewhere in the Company's Annual Information Form for the year ended December 31, 2008 and other documents filed with Canadian provincial securities authorities and are available to the public at [www.sedar.com](http://www.sedar.com). The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be relied upon. These statements speak only as of the date of this report. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the Company or on the Company's behalf, except as may be required under applicable securities laws. The forward-looking statements contained in this report are expressly qualified by this statement.*

### **Description of Non-GAAP Measures**

Throughout this MD&A, management uses terms and ratios not found in the Handbook of the Canadian Institute of Chartered Accountants, which do not have a standardized meaning under Canadian Generally Accepted Accounting Principles (GAAP), therefore the following definitions are provided:

"EBITDA" is equal to earnings (loss) before interest, taxes, depreciation, amortization, impairment charge, and stock based compensation. The Company presents EBITDA as a supplemental earnings measure as it is used by the chief operating decision makers of the Company to measure operating segment profitability. Management uses EBITDA to establish performance benchmarks for incentive compensation for employees and to evaluate the performance of its operating segments.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

*"Adjusted net earnings"* is equal to net earnings (loss) excluding after-tax impairment charges related to goodwill, intangible assets, and property, plant, and equipment. The Company uses adjusted net earnings as a measure of profitability excluding extraordinary items to evaluate the Company's performance. Adjusted net earnings per share is equal to net earnings (loss) per share excluding the impairment charge.

*"Gross margin"* is calculated by subtracting direct costs from revenue. The Company believes gross margin is a measure of project profitability and is commonly used to evaluate the Company's performance.

*"Gross margin percentage"* is calculated by taking gross margin and dividing by revenue, expressed as a percentage.

*"Days Sales Outstanding" ("DSO")* is calculated by taking the accounts receivable, revenue in excess of billings, inventories, and subtracting billings in excess of revenue for the period. The result is divided by revenue for the period, expressed in number of days. Management uses DSO to evaluate the effectiveness of billing and collection of revenues.

*"Funds provided by operations before changes in non-cash working capital"* is equal to net earnings (loss) adjusting for items not affecting cash. The Company presents funds provided by operations before changes in non-cash working capital to measure funds generated from operations.

*"Cash flow to interest bearing debt"* is equal to cash flow divided by interest bearing debt, expressed as a percentage. Cash flow is equal to funds provided by operations before changes in non-cash working capital. Interest bearing debt is equal to long-term debt including the current portion.

*"Debt to total capitalization"* is equal to debt divided by total capitalization, expressed as a percentage. Debt is equal to long-term debt including the current portion. Total capitalization is equal to long-term debt including the current portion plus shareholders' equity.

These non-GAAP financial measures and ratios may not be comparable to similar measures and statistics presented by other issuers. The ratios are presented because they are commonly referred to by lenders and other interested parties in evaluating the Company's financial position. Certain comparative figures have been reclassified to conform to current period presentation.

## **Recent Events**

### ***Normal Course Issuer Bid***

On February 26, 2009, the Company announced a Normal Course Issuer Bid to purchase 2,308,725 common shares, representing 5% of the total issued and outstanding common shares. The Normal Course Issuer Bid commenced on March 3, 2009 and will terminate on March 2, 2010.

For the three months ended March 31, 2009, the Company purchased 178,700 common shares at an average cost of \$6.55 per share (inclusive of brokerage fees) for a total expenditure of \$1.2 million. Prior to March 31, 2009, the Company purchased an additional 137,100 common shares at an average cost of \$6.68 per share (inclusive of brokerage fees) under the Normal Course Issuer Bid, and were settled and cancelled subsequent to March 31, 2009.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2009

(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)

### Summary of Consolidated Financial Results

The following table summarizes key financial data to be read in conjunction with the unaudited interim financial statements of the Company as at and for the three months ended March 31, 2009, as well as the annual audited consolidated financial statements of the Company as at December 31, 2008. Such financial statements are prepared in accordance with GAAP and are reported in Canadian dollars.

Three months ended March 31

	2009		2008			
Revenue	\$	530.2	100.0%	\$	515.6	100.0%
Direct costs		441.5	83.3%		423.8	82.2%
		88.7	16.7%		91.8	17.8%
General and administrative expenses		42.3	8.0%		38.1	7.4%
EBITDA		46.4	8.8%		53.7	10.4%
Stock based compensation expense		1.0	0.2%		1.2	0.2%
Amortization on property, plant and equipment		14.0	2.6%		17.8	3.5%
Interest (net)		5.3	1.0%		5.9	1.1%
Earnings before income taxes		26.1	4.9%		28.8	5.6%
Income taxes		7.6	1.4%		10.4	2.0%
Net earnings		18.5	3.5%		18.4	3.6%
per common share – basic	\$	0.40	n/a	\$	0.39	n/a
per common share – diluted	\$	0.40	n/a	\$	0.38	n/a
Funds provided by operations before changes in non-cash working capital		24.1	4.5%		30.0	5.8%
			March 31, 2009			December 31, 2008
Working capital	\$		342.7	\$		313.1
Total assets			1,049.7			1,088.9
Shareholders' equity	\$		503.2	\$		482.2

### Highlights

#### Revenue

Revenue for the three months ended March 31, 2009 was \$530.2 million, an increase of \$14.6 million (2.8%), compared to \$515.6 million for the same period of 2008. Increased revenues from Facility Infrastructure and Maintenance Services offset decreases in Production Services and Oilfield Services. Canadian operations generated \$424.2 million in revenues, up \$20.9 million as a result of increased activity during the quarter, however the United States revenues were \$105.9 million, down \$6.4 million as a result of reduced drilling activity. United States operations accounted for 20.0% of revenues for the quarter.

#### Direct Costs and Gross Margin

Gross margin decreased to \$88.7 million (16.7% of revenue) for the quarter, compared to \$91.8 million (17.8% of revenue) in the comparative quarter. The decrease in the gross margin percentages are attributed to a decline in activity in Production Services and increased competitive pressures. Also, increased revenue activity in the Facility Infrastructure and Maintenance Services operating segments (specifically cost-plus-fixed-fee) as a percentage of total revenue, which have traditionally lower margins due to lower risk, contributed to the decrease in gross margin.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

### **General and Administrative Expenses**

General and administrative expenses for the three months ended March 31, 2009 were \$42.3 million compared to \$38.1 million in 2008, representing an increase of \$4.2 million (11.0%). As a percentage of revenue, general and administrative expenses increased to 8.0% from 7.4%. The Company had anticipated that general and administrative expenses would increase both in quantum balance and as a percentage of revenue over the prior year as a result of growth in staffing levels. Most notably, the Company realized additional costs in information technology of \$2.0 million in the quarter to support increasing system requirements as portions of the Oilfield Services, Tubular Management and United States operations are converted to its Enterprise Resource Planning ("ERP") system, JD Edwards, and partially related to our International Financial Reporting Standards ("IFRS") convergence project, and the consolidation of administration and support services as part of the restructuring. These are one-time costs and have been somewhat offset by the suspension of the 2009 annual pay increases for executives, management, and salaried employees. In addition, the Company has implemented unpaid leave for salaried employees and selective layoffs of administrative staff have been made as cost control measures. Also, bad debt expense increased \$1.3 million, compared to the first quarter of 2008, as the Company assesses the risk of collectability of some accounts receivable in the current economic climate.

### **EBITDA**

As stated above, lower gross margins and increased general and administrative expenses resulted in an EBITDA of \$46.4 million (8.8% of revenue) for the three months ended March 31, 2009, down from \$53.7 million (10.4% of revenue) in the comparative quarter.

### **Amortization**

Amortization of property, plant, and equipment, and intangible assets for the three months ended March 31, 2009 was \$14.0 million compared to \$17.8 million in the comparative quarter. This decrease of \$3.8 million (21.3%) was partially due to reduced amortization charges on intangible assets of \$2.2 million (12.4%), as a result of the intangible assets impairment charge in 2008. Amortization expense on property, plant, and equipment was down by \$1.6 million (8.9%) over the comparative period, as a result of capital spending reductions and improved utilizations and operating efficiencies. Asset purchases made throughout the current and prior quarter were \$4.0 million and \$6.5 million respectively.

### **Interest**

Interest expense for the three months ended March 31, 2009 decreased \$1.3 million (19.2%) from \$6.6 million in the comparative quarter to \$5.3 million as a result of reductions in the average long-term debt balance. Interest income decreased \$0.6 million for the three months ended March 31, 2009 from the comparative quarter.

### **Net Earnings**

The Company realized net earnings of \$18.5 million (\$0.40 per common share – diluted) during the three months ended March 31, 2009, compared to earnings of \$18.4 million (\$0.38 per common share – diluted) in 2008, for a net increase of \$0.1 million. This increase was the result of reduced amortization, interest and income tax expense.

Cash provided by operations before changes in non-cash working capital for the three months ended March 31, 2009 was \$24.1 million, down \$5.9 million from \$30.0 million in the comparative period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2009

(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)

### Quarterly Information

	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$ 530.2	\$ 678.2	\$ 585.8	\$ 531.7	\$ 515.6	\$ 465.0	\$ 424.3	\$ 421.8
Adjusted net earnings	18.5	22.1	16.7	11.8	18.4	9.6	12.2	6.3
per common share - basic	0.40	0.47	0.35	0.25	0.38	0.20	0.26	0.13
per common share - diluted	0.40	0.47	0.35	0.25	0.38	0.21	0.25	0.13
Net earnings (loss)	18.5	(224.5)	(163.2)	11.8	18.4	9.6	12.2	6.3
per common share - basic	0.40	(4.78)	(3.41)	0.25	0.38	0.20	0.26	0.13
per common share - diluted	0.40	(4.78)	(3.41)	0.25	0.38	0.21	0.25	0.13

A number of factors contribute to variations in the Company's results between periods. These include, but are not limited to, weather, customer capital spending, as well as drilling programs which are affected by oil and natural gas commodity prices, and seasonal behaviours in customer spending caused by activities such as plant shutdown work. The Company continues to create the optimum portfolio of services to meet customer needs and maximize shareholder returns.

Certain business lines within the Company relate to the maintenance and operation of oilfield facilities, which generally produce consistent revenues, while other business lines relate to large projects, potentially resulting in fluctuating revenue streams over time. While a significant amount of the business activity related to the maintenance and operation of oilfield facilities is under long-term contract, the work is still primarily call-out related and is provided on an as-needed basis and, therefore, does not generate a consistent revenue stream between periods. The Oilfield Services operating segments' primary business drivers are related to the drilling cycle in the Western Canadian Sedimentary Basin, while the specialized heavy haul operation, included as part of the Oilfield Services operating segment, will have more specific business drivers related to the movement of large pieces of equipment and module components of construction projects.

As the Company has United States operations, the consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations in translating the revenues and expenses of its United States operations to Canadian dollars. During the three months ended March 31, 2009, 20.0% of the Company's business activity was in the United States.

## Results of Operations

On January 7, 2009, the Company announced a restructuring of its business segments as part of the process to streamline operations. The Company began reporting in the new structure, consisting of four segments, in 2009. The new segments are: Production Services, Facility Infrastructure, Oilfield Services, and Maintenance Services.

Production Services, which now includes the previous Tubular Management and Manufacturing segment, remains focused on midstream oil and gas field production services. These services encompass: fabrication, construction and maintenance of production facilities, mid-inch pipelines, production equipment, and mid-sized construction management with the inspection repair and refurbishing of production tubing, drill pipe, sucker rods, casing, small diameter pipelines and polyethylene pipe and liners.

Facility Infrastructure, which includes its oil sands construction activities, remains unchanged and provides construction management, modular fabrication, and field construction services on major construction projects primarily in Edmonton and Fort McMurray, Alberta.

Oilfield Services now combines the Fluid Haul Services business unit previously reported in Production Services, and the previous Oilfield Transportation segment. This new segment will provide: drill rig and service rig moving; module,

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2009

(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)

equipment and specialty hauling; fluid handling, pressure and vacuum services, industrial and chemical cleaning; and coiled tubing and flush-by services.

Maintenance Services remains unchanged, and consists of four joint venture companies: FT Services, Mackenzie Valley Construction, SRP North Ventures and Mackenzie Aboriginal Corporation.

The Company allocates resources based on revenue and evaluates performance of operating segments based on earnings before interest, taxes, depreciation, amortization, impairment charge, and stock based compensation, which follows the organization, management and reporting structure of the Company.

Selected financial information for each reportable business segments is as follows:

<i>(in thousands of Canadian dollars)</i>	Production Services	Facility Infrastructure	Oilfield Services	Maintenance Services	Total
<i>Three months ended March 31, 2009</i>					
Revenue	\$ 254,960	\$ 143,310	\$ 70,239	\$ 61,642	\$ 530,151
EBITDA	19,303	12,668	8,558	5,869	46,398
EBITDA %	7.6%	8.8%	12.2%	9.5%	8.8%
Amortization	6,081	1,840	5,088	1,030	14,039
Capital expenditures	1,565	694	1,078	707	4,044
<i>Three months ended March 31, 2008 (restated)</i>					
Revenue	\$ 289,830	\$ 101,051	\$ 86,115	\$ 38,587	\$ 515,583
EBITDA	29,214	8,028	13,620	2,838	53,700
EBITDA %	10.1%	7.9%	15.8%	7.4%	10.4%
Amortization	8,835	2,300	6,360	302	17,797
Capital expenditures	1,457	369	2,869	1,772	6,467
<i>(in thousands of Canadian dollars)</i>					
	Production Services	Facility Infrastructure	Oilfield Services	Maintenance Services	Total
<i>As at March 31, 2009</i>					
Goodwill	-	-	-	-	-
Total assets	448,550	253,072	251,597	96,478	1,049,697
<i>As at December 31, 2008 (restated)</i>					
Goodwill	-	-	-	-	-
Total assets	514,290	275,217	251,743	47,620	1,088,870

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2009

(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)

Selected financial information for each reportable business segment for the first quarter is as follows:

(in thousands of Canadian dollars, for the three months ended March 31)	2009		2008			
<b>Revenue by operating segment</b>						
Production Services	\$	254,960	48%	\$	289,830	56%
Facility Infrastructure		143,310	27%		101,051	20%
Oilfield Services		70,239	13%		86,115	17%
Maintenance Services		61,642	12%		38,587	7%
Total	\$	530,151	100%	\$	515,583	100%
<b>EBITDA by operating segment</b>						
Production Services	\$	19,303	42%	\$	29,214	55%
Facility Infrastructure		12,668	27%		8,028	15%
Oilfield Services		8,558	18%		13,620	25%
Maintenance Services		5,869	13%		2,838	5%
Total	\$	46,398	100%	\$	53,700	100%

### Production Services

The Production Services segment provides pipeline work, day-to-day field facility installation and maintenance services, as well as electrical, instrumentation, mechanical, safety, pressure and vacuum, plant shutdown, turnaround services and tubular management and manufacturing.

Selected financial information for each geographic location in this segment is as follows:

(in thousands of Canadian dollars)	For the three months ended March 31, 2009		For the three months ended March 31, 2008		Increase (decrease)	% Change	
<b>Revenue by geographic location</b>							
Canada	\$	151,922	\$	179,243	\$	(27,321)	(15.2%)
United States		103,038		110,587		(7,549)	(6.8%)
Total	\$	254,960	\$	289,830	\$	(34,870)	(12.0%)
<b>EBITDA by geographic location</b>							
Canada	\$	11,945	\$	18,284	\$	(6,339)	(34.7%)
United States		7,358		10,930		(3,572)	(32.7%)
Total	\$	19,303	\$	29,214	\$	(9,911)	(33.9%)

### Revenue

Revenue from the Production Services segment for the three months ended March 31, 2009 decreased 12.0% to \$255.0 million from \$289.8 million in 2008. In Canada, revenues decreased \$27.3 million (15.2%) from the prior quarter to \$151.9 million as a result of lower pipeline construction and field service activities in the first quarter of 2009. In the United States, revenues decreased 6.8% to \$103.0 million from \$110.6 million in the comparative quarter. Pipeline construction and plant construction in the United States also experienced the same decrease in activity. This decrease in revenue was partially offset by a weaker Canadian dollar versus American dollar resulting in higher revenues upon translation into Canadian dollars. Customer's cost cutting needs are putting pressure on gross margins. The Company anticipates revenue to decline in this segment in the 2009 fiscal year in correlation with industry activity.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

### **EBITDA**

Production Services' EBITDA decreased by 33.9% to \$19.3 million compared to \$29.2 million in 2008. In Canada, EBITDA was down \$6.3 million or 34.7% over the prior year as a result of the lower activity levels previously discussed and overall lower gross margins. In the United States, EBITDA decreased \$3.6 million or 32.7% to \$7.4 million from \$10.9 million in the comparative quarter. EBITDA as a percentage of revenue declined for both Canada and the United States by 2.3% and 2.7% respectively.

### **Facility Infrastructure**

The Facility Infrastructure segment provides major facility project development services to the energy and natural resources sector, providing a full-cycle approach to all phases of project development from concept and design to fabrication and installation. Customer capital expenditure programs related to large oil sands projects have a significant affect on the results of this business segment by impacting activity levels. Margin, as a percentage of revenue, can also fluctuate based on the contractual terms of major projects and their overall weighting to the total revenue earned in any given period, fluctuation in activity levels, and the ability of the Company to average fixed operating costs related to fabrication facilities and field construction management overheads.

#### **Revenue**

Revenue from the Facility Infrastructure segment for the three months ended March 31, 2009 increased 41.7% to \$143.3 million from \$101.1 million in the first quarter of 2008. The primary increase in revenue was due to continued work on the Shell Albion Sands, Suncor Energy Firebag and Statoil projects.

#### **EBITDA**

Facility Infrastructure's EBITDA increased by 58.8% to \$12.7 million for the three months ended March 31, 2009 from \$8.0 million for the comparative quarter. EBITDA as a percentage of revenue increased to 8.8% compared to 7.9% in the comparative quarter as a result of greater fixed cost coverage.

### **Oilfield Services**

The Oilfield Services segment includes activities focused on specialized hauling such as drilling rig moving, fluid hauling, heavy hauling, service rig moving and light hauling.

#### **Revenue**

During the three months ended March 31, 2009, revenue was \$70.2 million, a decrease of 18.5% from \$86.1 million in the prior year. A decrease in hauling and rig moving activities, accompanied by an increased competitive environment and an early spring breakup contributed to the reduction in revenue. Hourly rates in the United States have been reduced to maintain market share, due to increased competition from smaller fluid haulers.

#### **EBITDA**

Oilfield Services' EBITDA for three months ended March 31, 2009 decreased to \$8.6 million compared to \$13.6 million during the comparative quarter. The decrease in EBITDA was directly attributable to the decreased activity levels and the increased competitive environment as previously discussed. EBITDA as a percentage of revenue also dropped 3.6% over the comparative quarter.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2009

(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)

### Maintenance Services

The Maintenance Services segment provides delivery of sophisticated asset management services for all routine plant maintenance and turnaround services for oil sands production facilities in Alberta, as well as oil refineries and related chemical, energy, electrical and processing plants. This work is performed through a 50% owned joint venture company, FT Services. Also included in this business segment is the proportional share of two other joint venture companies; Mackenzie Valley Construction, with a base operation in Inuvik, Northwest Territories, and SRP North Ventures, with a base operation in Norman Wells, Northwest Territories. Both of these joint venture companies provide a variety of services including maintenance and logistical services.

### Revenue

Revenue for the three months ended March 31, 2009 increased to \$61.6 million from \$38.6 million for the comparative quarter. The most significant reason for the increase was from the continued work performed by FT Services for Suncor Energy and for Canadian Natural Resources' continuing maintenance agreement. FT Services was still an early stage company in 2008 and the ramp up of the business was a key contributor to the revenue expansion.

### EBITDA

Maintenance Services' EBITDA increased to \$5.9 million for the three months ended March 31, 2009 from \$2.8 million for the comparative quarter. The significant increase in revenue in this segment contributed to the increased EBITDA. EBITDA as a percentage of revenue increased to 9.5%, up from 7.4% in the comparative quarter, which resulted from recognizing additional revenues achieved through performance incentives for 2008.

## Consolidated Financial Position

The following tab summarizes key consolidated financial position data:

As at	March 31, 2009	December 31, 2008	Increase (decrease)	% Change
Current assets	\$ 604.7	\$ 633.5	\$ (28.8)	(4.5%)
Current liabilities	262.0	320.4	(58.4)	(18.2%)
Net working capital	342.7	313.1	29.6	9.5%
Long-term debt	330.6	310.4	20.2	6.5%
Current	80.7	60.3	20.4	33.8%
Non-current	249.9	250.1	(0.2)	(0.1%)
Total assets	1,049.7	1,088.9	(39.2)	(3.6%)
Total liabilities	546.5	606.7	(60.2)	(9.9%)
Days sales outstanding (DSO)	93	79	14	17.7%

### Highlights

As at March 31, 2009, the Company's working capital was \$342.7 million compared to \$313.1 million at December 31, 2008. This increase of \$29.6 million (9.5%) is primarily attributed to a reduction in accounts payable, an increase in the current portion of long-term debt and an increase in accounts receivable, offset by a reduction in revenue in excess. At March 31, 2009, the revolving operating loan was \$52.9 million compared to \$40.9 million as at December 31, 2008, representing an increase of \$12.0 million (29.3%). Typically, the first quarter requires the highest use of cash for operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2009

(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)

During the quarter, the Company made continued efforts to improve the effectiveness of billings and collections which has resulted in significant decreases in revenue in excess of billings. Revenue in excess of billings for the three months ended March 31, 2009 was \$123.5 million, a decrease of \$46.2 million (27.2%) from \$169.7 million at the end of 2008. Accounts receivable increased by \$9.2 million (2.6%) to \$360.4 up from \$351.2 million at the end of 2008, as a result of increased revenues. The aging of accounts receivable as at March 31, 2009 increased, with 21.6% of trade receivables outstanding greater than 60 days, up from 14.4% at the end of fiscal 2008.

Days Sales Outstanding ("DSO") for the three months ended March 31, 2009 was 93 days compared to 79 days at the end of December 31, 2008. DSO fluctuates throughout the year due to the timing of client milestone billings and pre-payments from our clients. However, improving our cash generating ability is a priority, given uncertainties in the current economic climate.

## Liquidity and Capital Resources

At March 31, 2009, the Company had \$6.9 million in cash and cash equivalents. The Company's principal sources of capital are cash flows from operations and borrowing under its senior credit facility. The Company's principal uses of cash are for the financing of working capital and capital expenditures.

Selected cash flow and capitalization data is as follows:

<i>As at and for the three months ended</i>	March 31, 2009	December 31, 2008	March 31, 2008
Funds provided by operations before changes in non-cash working capital	\$ 24.1	\$ 43.3	\$ 30.0
Cash provided by operations	(7.3)	74.1	(78.2)
Cash flow to interest bearing debt (annualized)	41.7%	46.3%	24.9%
Long-term debt (including current portion)	330.6	310.4	427.2
Debt to total capitalization	39.6%	39.2%	33.5%

## Cash Flow and Liquidity

Cash provided by operating activities for the three months ended March 31, 2009 was \$24.1 million compared to \$30.0 million for the three months ended March 31, 2008. The decrease in cash provided by operating activities was the result of fluctuations in non-cash balances related to operations during the quarter.

Cash flows used in investing activities for the three months ended March 31, 2009 decreased to \$2.9 million compared to \$4.7 million for the comparative period. The decrease of \$1.8 million (38.3%) over the comparative period was due to reductions in our net capital expenditures. During the three months ended March 31, 2009, the Company incurred capital expenditures of \$4.0 million, compared to \$6.5 million in the comparative period. The majority of these expenditures were to replace equipment in Canada and the United States in order to maintain operational capacity and meet customer needs in new areas. Proceeds on disposal of property, plant, and equipment were \$1.2 million for the three months ended March 31, 2009, compared to \$1.8 million in the comparative period. The reduction of capital expenditures over the prior year was part of the Company's efforts to improve the utilization of our capital equipment. Under-utilized equipment was identified during the quarter and was identified for sale or internally transferred, which reduced the need to incur additional capital expenditures.

Cash flows for financing activities for the three months ended March 31, 2009 were \$15.5 million compared to cash flows provided by financing activities of \$64.5 million for March 31, 2008. Included in financing activities is \$1.2 million of expenditures relating to shares repurchased under the Normal Course Issuer Bid. In addition, the Company had net advances of \$16.7 million in the three months ended March 31, 2009, compared to net advances of \$61.7 million on long-term debt for the three months ended March 31, 2008.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2009

(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)

The Company uses cash flow to interest bearing debt and debt to total capitalization as key indicators of the Company's leverage, and to monitor the strength of its balance sheet. Cash flow to interest bearing debt improved to 41.7%, up from 24.9% over the prior year. Significant reductions in the Company's long-term debt balance over the prior period resulted in the improvement in this ratio. Debt to total capitalization ratio increased slightly to 39.6% at the end of the quarter from 39.2% at December 31, 2008.

In these uncertain economic times, the Company is closely monitoring its cash generating ability and has focused efforts upon improving billing and collection processes, in addition to reducing long-term debt.

### Capital Requirements and Capitalization

At March 31, 2009, the Company had obligations to repay within one year, \$81.6 million which includes \$5.5 million of lease payments for vehicles, office equipment, premises and construction equipment. In addition, the Company has operating lease obligations of \$172.6 million compared to \$188.8 million in the last quarter. The Company anticipates capital expenditures in 2009 to be below that in fiscal 2008 due to the anticipated lower activity levels in certain segments. Capital expenditures are necessary to replace construction equipment, and heavy trucks and vehicles as they near the end of their useful lives, and when it becomes less economical to continue operating the units due to increasing maintenance costs. Although these capital expenditures may be necessary to achieve operating efficiencies, the Company has no obligation to incur them.

### Debt Repayment Obligations

The following table presents the Company's future payment obligations:

Maturity	< 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Long-term debt	\$ 81.6	\$ 167.4	\$ 82.5	- \$	331.5
Operating leases	56.2	76.7	39.7	-	172.6
Total contractual obligations	\$ 137.8	\$ 244.1	\$ 122.2	- \$	504.1

### Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at March 31, 2009, 46,125,214 common shares were outstanding as compared to 47,813,616 as at March 31, 2008. No preferred shares were outstanding during or at the end of either of these periods. Certain employees, officers and directors of the Company have been granted options to purchase common shares under the Company's incentive stock option plan. There were 3,008,210 options outstanding as at March 31, 2009.

On February 26, 2009, the Company announced a Normal Course Issuer Bid to purchase 2,308,725 common shares, representing 5% of the then issued and outstanding common shares. The Normal Course Issuer Bid commenced on March 3, 2009 and will terminate on March 2, 2010.

For the three months ended March 31, 2009, 178,700 common shares were purchased pursuant to the Company's Normal Course Issuer Bid at an average cost of \$6.55 per share (inclusive of brokerage fees) for a total expenditure of \$1.2 million. Prior to March 31, 2009, the Company purchased an additional 137,100 common shares at an average cost of \$6.68 per share (inclusive of brokerage fees) under the Normal Course Issuer Bid, and were settled and cancelled subsequent to March 31, 2009. No charges were recorded for the three months ended March 31, 2009.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2009

(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)

### Changes in Accounting Policies

The Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064 on January 1, 2009.

#### Section 3064, Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development". The new pronouncements establish standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the previous Section 3062. The Company has applied this new accounting standard prospectively and has concluded that this standard has no affect on the Company's financial position, results of its operations, or its cash flows.

### Future Accounting Pronouncements

The following are recent accounting pronouncements issued but not yet adopted by the Company:

#### Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian Generally Accepted Accounting Principles ("GAAP"), as used by public companies, being evolved and converged with International Financial Reporting Standards ("IFRS") over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS.

The Company commenced its IFRS conversion project during the second quarter of 2008. The project consists of three phases:

Phase	Description	Status
Phase 1 – Assessment	<p>The technical evaluation of significant differences between Canadian GAAP and IFRS as is relevant to the Company.</p> <p>In January 2009, the International Accounting Standards Board ("IASB") released its work plan and projected timetable for new standards and amendments on various topics including consolidations, financial instruments, income taxes, liabilities, revenue recognition and IFRS 1.</p>	<p>The Company completed a high level assessment of the major differences between Canadian GAAP and IFRS during the third and fourth quarters of fiscal 2008.</p> <p>This phase resulted in the development of a detailed plan under which the design activities are being implemented. The development plan includes an implementation timetable which identifies the key activities that will occur over the next two years leading up to the changeover.</p> <p>The IASB has activities that are currently underway which may change the current interpretation of and effects on the standards as it relates to the Company. As a result, the Company will continue to monitor and assess these changes as they arise during the design phase.</p>
Phase 2 – Design	<p>The identification, evaluation, and selection of accounting policies necessary for the Company to change over to IFRS.</p> <p>In addition, this phase includes an assessment and selection of the operational elements necessary to change over to IFRS such as training, information technology, internal controls over financial reporting, and other business activities that may be influenced by GAAP measures such as debt covenants, hedging, sales practices, and compensation arrangements.</p>	<p>The Company is currently in the process of evaluating and selecting accounting policies necessary for the Company to changeover to IFRS, however, at this current stage, the Company cannot reasonably determine the impact that adopting IFRS will have on its financial position and future results.</p> <p>The evaluation of required changes to information technology, internal controls over financial reporting, and business activities are at an advanced stage and it is</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2009

(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)

Phase	Description	Status
	The preliminary view is that the areas of focus for the Company will be property, plant, and equipment, the impairment of long-lived assets, and cash generating units.	anticipated that the evaluation process and concurrently the development of appropriate solutions will be complete by the third quarter of 2009.  The Company completed IFRS awareness training sessions during the fourth quarter of 2008 as introductory training for staff. More directed technical and implementation training related to new accounting policies, procedures, and processes began in the first quarter of 2009, further training is anticipated to occur in the second quarter of 2009.
Phase 3 - Implementation	The integration of financial and operational processes necessary to change over to IFRS.	Certain aspects of this phase have been established and the company will continue to monitor ongoing changes to IFRS and adjust its implementation plans accordingly.

An executive steering committee has been established to provide directional leadership for the conversion project and to assist in development accounting policy recommendations. This committee includes representation from accounting, information technology, treasury, human resources, and operations. Management updates the Audit Committee at least quarterly on the status of the project.

### **Section 1582, Business Combinations**

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations" replaced the existing standard. This section establishes the standards for the accounting of business combinations and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date, and that non-controlling interests will be measured at fair value at the date of acquisition. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011, and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

### **Section 1601, Consolidated Financial Statements**

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, replaced the existing standard. This section carries forward existing Canadian guidance for preparing consolidated financial statements other than non-controlling interests. The section is effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard for our consolidated financial statements.

### **Section 1602, Non-Controlling Interests**

In January 2009, the CICA issued Handbook Section 1602, Non-Controlling Interests, which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. The section is effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard for our consolidated financial statements.

## **Use of Accounting Estimates**

In preparing the consolidated financial statements, various accounting estimates are made in applying the Company's accounting policies. These estimates require significant judgment on the part of management and are considered

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

critical as they are important to the Company's financial condition and results. The following represents the estimates that management considers most critical to the application of the Company's significant accounting policies.

### **Revenue and Cost Recognition**

The Company's Production Services and Facility Infrastructure operating segments perform all of their projects under the following types of contracts: time-and-materials; cost-plus-fixed-fee; unit-price; and fixed price or lump sum. For these contract types, revenue is recognized using the percentage-of-completion method, measured by the ratio of costs incurred and units produced to date, relative to total estimated costs and units to be produced. The resulting percent complete methodology is applied to the approved contract value to determine the revenue recognized. The estimated total cost of the contract and percent complete is determined based upon estimates made by management. The cost of items that do not relate to performance of contracted work, particularly in the early stages of the contract, are excluded from costs incurred to date.

Contract costs include all direct materials, equipment, and labour costs, and those indirect costs related to contract performance such as indirect labour, supplies, and tools. General and administrative costs are charged to expenses as incurred. Changes in project performance, project conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income that are recognized in the period in which such adjustments are determined. Provisions for estimated losses on all uncompleted contracts are made in the period in which such losses are identified.

Costs related to change orders and claims are recognized when they are incurred. Revenues related to change orders are included in total estimated contract revenue when they are approved. Once a project is underway, the Company may experience changes in conditions, client requirements, specifications, designs, materials, and work schedules. In these circumstances, a change order is generally negotiated with the customer to modify the terms of the original contract to approve both the scope and price of the change.

When a change order is unapproved in both scope and price or becomes a point of dispute between the Company and a customer, the Company will then consider it as a claim. Claims are included in total estimated contract revenue only to the extent that contract costs related to the claim have been incurred, and when it is probable that the claim will result in a bona fide addition to contract value and revenues can be reliably estimated. This can lead to a situation where costs are recognized in one period and revenue is recognized when customer agreement is obtained or claim resolution occurs, which can be in subsequent periods.

Within the Facility Infrastructure operating segment, the length of the contracts varies from one year to several years, whereas within the Production Services operating segment, the length of the contracts are typically less than one year. The Company's long-term contracts typically allow its customers to unilaterally reduce, delay or eliminate the scope of the work as contracted without cause. As a result, these long-term contracts represent higher risk due to uncertainty of total contract value and estimated costs to complete potentially impacting revenue recognition in future periods.

Revenue in excess of billings represents costs incurred and revenues earned in excess of amounts billed on uncompleted contracts. Billings in excess of revenue represents amounts invoiced in excess of revenue recognized.

Oilfield Services, Maintenance Services and Production Services (specifically Tubular Management and Manufacturing) operating segments recognize revenue as follows:

- (i) Revenue from oilfield services is provided based upon orders and contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates and are recognized when the service is performed;
- (ii) Revenue from inspections, threading, refurbishment and bucking of drill and line pipe is recognized as the services are provided;
- (iii) Revenue from manufacturing and product sales are recognized when the product is shipped to the customer; and

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

- (iv) Revenue from maintenance services is recognized when the service is completed in accordance with the terms of the maintenance contract, unless the contract is long-term or where service activity within a year is expected to vary significantly year to year in which case revenue is recognized as the services are recognized.

### ***Amortization of Property, Plant and Equipment***

The Company's Production Services and Oilfield Services operating segments require a significant investment in construction and hauling equipment. In accordance with the Company's accounting policy related to the amortization of property, plant, and equipment, the cost of construction and hauling equipment is amortized over its estimated useful life.

Judgment is involved in determining the useful life of the equipment, the estimated residual value and the appropriate method of amortization. Factors considered in estimating the useful life of an item of construction or hauling equipment include expected future usage, effects of technological or commercial obsolescence, expected wear and tear from use or the passage of time, the effectiveness of the Company's maintenance program and historical information of similar items retired. The same factors are considered in estimating the residual value of an item of construction or hauling equipment. The accuracy in estimating the residual value of an item of construction or hauling equipment becomes increasingly more difficult the further the estimated useful life extends into the future.

The Company's investment in construction and hauling equipment results in amortization expense being a significant operating cost to the Company and any misjudgment in estimating the useful life or the residual value of the equipment could result in a misstatement of consolidated amortization expense.

### ***Allowance for Doubtful Accounts Receivable***

The Company performs ongoing credit evaluations of its customers and grants credit based upon the customer's past payment history and financial condition, taking into consideration anticipated changes in industry and economic conditions. Customer payments are regularly monitored and estimates of the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date, taking into consideration the following factors: the length of time the receivable has been outstanding; specific knowledge of each customer's financial condition; and historical experience. The Company's experience with respect to the incurrence of bad debt losses have been within expectations and have generally been limited to a select number of specific customer situations. Given the cyclical nature of the North American oil and natural gas services industry and the risk associated with finding and producing hydrocarbons, a customer's ability to fulfill its obligations can change without notice.

## **Business Risks**

The Company's results are affected by a number of external factors, including commodity prices, which drive producer capital spending levels and the demand for Flint's project related services, foreign currency, interest rates, operational, credit and safety risks.

### ***Producer Capital Spending Levels***

The Company's business is directly affected by fluctuations in the levels of exploration, oil sands development and production activity carried on by its customers, which in turn is dictated by numerous factors, including world energy prices and government policies. Projected commodity prices drive oil and natural gas producer capital expenditures, including drilling and production and exploration activity, which in turn impacts the Company's activity levels. Producer capital spending levels have a relatively significant impact on the results of the Company's Facility Infrastructure and Oilfield Services operating segments, compared to the Production Services operating segment and Maintenance Services operating segment, as the latter perform services more related to the ongoing operation and maintenance of producers' physical plants and production. As it is difficult for the Company to effectively manage the fluctuations in activity levels resulting from the peaks and troughs in producer spending related to large capital

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

projects, the Company strives to operate its operating segments in such a manner so as to maximize their scalability relative to activity levels. A significant, prolonged decline in commodity prices could have a material adverse effect on the Company's results of operations and financial condition.

### **Foreign Currency**

The Company minimizes its exposure to unrealized translation gains and losses on United States denominated monetary items related to the translation of its net United States investment, by financing the investment with United States dollar denominated debt. The Company enters into derivative contracts to manage the exposure to foreign currency related to contracted purchases. The Company does not manage the exposure to fluctuations in the United States to Canadian exchange rate related to translating the results of its United States operations.

### **Interest Rates**

In order to minimize the Company's exposure to fluctuating interest rates, the Company has structured its senior credit facility such that a significant amount of its long-term debt has fixed interest rates and by using interest rate swaps to fix the interest rate on a portion of the debt for longer periods.

### **Operational Risk and Insurance**

The Company's operations are subject to risks inherent in the oil and gas industry such as equipment defects, malfunctions, failures and natural disasters. These risks could expose the Company to substantial liability for personal injury, loss of life, business interruptions, property damages or destruction, pollution and other environmental damages. In addition, the Company's operations are subject to risks normally inherent in the transportation industry, including potential liability, which could result from, among other things, personal injury, loss of life or property damages arising from motor vehicle accidents. The Company minimizes its exposure to operational risk through comprehensive vehicle and equipment maintenance programs designed to prevent failure and maximize the useful life of the related assets. In addition, the Company follows a complete quality assurance and control program designed to maximize performance in its work and minimize deficiencies potentially leading to failures and remedial re-work.

The Company maintains insurance against certain of the risks to which it is exposed. However, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition, could be materially adversely affected.

### **Safety Risk**

Safety risks are managed through the application of safety policies and procedures conducive to promoting safe work practices to a standard either complying with or exceeding government regulations and industry requirements. The Company maintains a behaviour-based safety program, which uses positive reinforcement to change unsafe behaviours of its employees and contractors.

### **Labor Supply Risk**

The Company requires a large number of trades personnel to conduct its operations. Recruiting and training these individuals is critical to the Company's ability to continue to meet customer requirements and generate increasing levels of revenue. As there is a very high demand for many of these skilled positions, the Company devotes significant resources and planning to the recruiting, retaining and training of people in order to secure the required level of staffing and skills necessary to support anticipated levels of work.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

### **Credit Risk and Reliance on Major Customers**

The risk of losses from customer non-payment is minimized through the Company's credit granting policies and other procedures designed to limit the exposure to credit risk. As a result of such practices, the Company's bad debt expense has historically been minimal. Substantial portions of the Company's accounts receivable are with customers involved in the oil and gas industry whose revenues may be impacted by fluctuations in commodity prices. Management currently considers the risk of a significant loss to be remote. The Company's top ten customers are all well-known, publicly traded companies. The top ten customers of the Company accounted for approximately 49.1% of the Company's revenue for the year ended December 31, 2008, and the largest customer accounted for approximately 13.3% of such revenue. There can be no assurance that the Company's current customers will continue their relationships with the Company. The loss of one or more major customers, or any significant decrease in services provided to a customer, prices paid, or any other changes to the terms of service with customers, could have a material adverse effect on the profitability of the Company.

### **Fuel Prices**

Fuel is one of the Company's major costs and as such, higher fuel prices could materially affect the Company's results. The Company manages this exposure to rising fuel costs through fuel surcharges to customers.

### **Legislation and Regulation**

Income tax, environmental and other applicable legislation may be changed in a manner which adversely affects the Company.

Transportation regulations governing the Oilfield Services segment require licensing from or registration with, provincial and territorial authorities in order to carry goods extra-provincially or to transport goods within any province or territory. Changes in regulations applicable to the Company could increase operating costs and have a material adverse effect on the Company's operations and financial condition.

The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and regulations. Although the Company is committed to compliance and safety, there is no assurance that the Company will be in full compliance at all times with such policies, guidelines and regulations. Consequently, at some future time, the Company could be required to incur significant costs to maintain or improve its compliance record.

### **Environmental Liability Risks**

Certain operating segments within the Company routinely deal with natural gas, oil and other petroleum products. The Company has programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. There can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. Although the Company is not aware of any contamination which, if remediation or clean up were required, would have a material adverse effect on the Company, there can be no assurance that the Company will not be required at some future date, to incur significant costs to comply with current or future environmental laws.

### **Weather and Seasonality**

Weather conditions can restrict or impede the Company's ability to deliver its services. Municipalities and provincial transportation departments enforce road bans during certain times of the year which restrict the movement of the Company's own equipment and those of the customer, thereby reducing the Company's activity levels during these periods. Additionally, certain oil and gas producing areas are only accessible in the winter months due to ground conditions. Seasonal factors and unexpected weather patterns may lead to declines in activity levels of exploration and production companies and corresponding declines in the demand for the goods and services of the Company.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

The Company's operations are geographically dispersed throughout the major oil and gas producing areas in North America and therefore the risk associated with seasonal and inclement weather is somewhat mitigated.

### **Internal Controls Over Disclosure and Financial Reporting**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing disclosure controls and procedures to ensure that material information is being made known to the appropriate individuals. In addition, the CEO and CFO are responsible to design internal controls over financial reporting or cause them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

#### ***Disclosure Controls and Procedures***

An evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted as of March 31, 2009, by and under the supervision of the Company's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that as a result of the material weaknesses in the Company's internal control over financial reporting, the disclosure controls and procedures were not effective as at March 31, 2009.

#### ***Internal Controls over Financial Reporting***

The Company's management, including the CEO and the CFO, has evaluated the design of the Company's internal control over financial reporting ("ICFR") using the framework and criteria established in the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that the Company's ICFR as of December 31, 2008, provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, with the following exception:

- Management has determined that its information systems are subject to general control deficiencies. Although management believes these have not resulted in a misstatement of consolidated financial results, when aggregated, these deficiencies represent a material weakness in the Company's control environment. Specifically these deficiencies are as follows:
  - Change management procedures and access controls are not well defined and implemented.
  - The Oilfield Services and Production Services (specifically Tubular Management and Manufacturing) segments have not yet transitioned to the company's ERP application, JD Edwards. The absence of access and other general controls exist in these operating segments.

Notwithstanding the above mentioned weaknesses, management has concluded that the consolidated financial statements fairly present the Company's consolidated financial position and consolidated results of operations as of and for the three months ended March 31, 2009.

#### ***Changes in Internal Controls over Financial Reporting***

Other than the continuing impact of the corrective actions discussed above, there were no changes in the Company's ICFR in the first quarter of 2009 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to standardize processes and controls as it executes its Enterprise Resource Planning Systems implementation.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

### ***Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Control Over Financial Reporting***

Management does not expect that the Company's disclosure controls and procedures and ICFR will prevent all error or fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance for both prevention and detection of errors or fraud. The inherent limitations include: judgments in decision-making can be faulty; breakdowns can occur because of simple errors or mistakes; controls can be circumvented by individual acts or collusion; and management override of controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

### **Outlook**

Flint's strategy to provide full cycle services with a balance of early cycle and on-going longer term activities is serving the Company well in this industry down-turn. While upstream drilling activities are down, Flint is able to focus its efforts on the related maintenance and on-going sustainment of production facilities.

In the first quarter of 2009, reduced crude oil and natural gas pricing led to a 35% drop in Canadian drilling activity and a 26% drop in drilling activity in the United States. Continuing lower commodity prices, notably natural gas prices, should result in lower drilling activity levels in both Canada and the United States for the balance of 2009. Industry forecasts suggest drilling activity in Canada will drop 34% to an average of 11,000 wells drilled in 2009 from 16,875 last year, due primarily to lower natural gas pricing. For the United States, industry forecasts are now suggesting an average rig count in 2009 of 1,000 compared to an average of 1,875 active rigs in 2008, a drop of 47%. While conventional natural gas drilling has been hit the hardest, unconventional natural gas drilling has proven more resilient and is expected to see continued activity in specific basins within Flint's geographic footprint in the United States.

Lower crude oil prices also resulted in a delay of work on Suncor Energy's Voyageur and Firebag 3 projects. Oil sands capital spending, which reached a record \$19 billion in 2008, is expected to drop to \$11 billion in 2009 as a result of lower crude oil prices, reduced industry cash flow and weaker equity markets. The one big benefit to the energy sector of this pause in activity levels is the reversal of the inflation we had experienced over the 2006 to 2008 period. Year to date in 2009, Flint has been able to reduce both labour and material costs through wage roll backs, and removal of uplift, travel, and retention bonuses. Also, with more skilled workers available, efficiency has improved substantially. With the improving oil prices and reduced capital costs that we are seeing in early 2009, we believe that oil sands producers will be in a better position to sanction new projects and resume delayed projects later this year.

Reduced drilling activity and oil sands construction activity will continue to affect Flint's early cycle business revenues throughout the balance of 2009. The early spring breakup will impact rig moving in Oilfield Services, particularly in the second quarter. This will be somewhat offset by improved revenues and margins in the specialized transportation and fluid hauling portions of this segment, which are weighted more to ongoing production activities. We believe the Oilfield Services segment will perform better in 2010 when the early cycle activity picks up.

The Production Services segment, with operations in both Canada and the United States, will continue to be impacted by reduced well tie-in work associated with natural gas drilling and reduced tubular management and manufacturing revenues associated with early cycle drilling activities. Reductions in early cycle activities will be partially offset by both ongoing midstream production related activities in Canada and the exchange rate on United States revenues in 2009.

Facility Infrastructure activity and revenues, which were up in the first quarter of 2009 compared to the first quarter of 2008, will experience a drop in volume over the balance of 2009 due to the completion of work on Suncor Energy's Sulfur Recovery Unit and completing the work of placing Firebag 3 into a safe mode (for eventual completion once market conditions improve). Work continues on both the Shell Albion Froth Treatment project and the StatoilHydro Leismer demonstration project. As a result of the postponement of work at Suncor's Firebag 3, annual revenues in this segment are expected to be down compared to 2008.

Flint's Maintenance Services' revenues were up by 60% in the first quarter of 2009 over the comparable quarter in 2008. We expect a decline in the second quarter from 2008 levels, as there will be less planned shutdown and turnaround activities compared to last year. We should continue to see overall growth in our new maintenance contracts, which will offset the reduced turnaround work, and for full year 2009 revenues to remain close to 2008 levels.

Recovery of energy related capital spending is not expected until early 2010, when surplus natural gas and crude oil inventories will have decreased as a result of contracting supply and improved demand as global economies begin an eagerly awaited recovery.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three Months Ended March 31, 2009

*(in millions of Canadian dollars except share data and per share amounts, unless otherwise stated)*

---

Management's focus for the balance of 2009 will be on managing costs, reducing risks, improving our internal business processes, consolidating operations, and optimizing asset utilization, all with a view to leaving Flint better positioned to take full advantage of the recovery. We are comfortable with the credit facilities we have in place and are well within all our covenants, giving us the flexibility we need through current market conditions. We will continue to reduce debt and decrease our working capital requirements, while keeping our operational capabilities ready for the expected recovery in 2010.

### **Additional Information**

Additional information related to the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com), including a copy of the latest Annual Information Form of the Company.

May 14, 2009

## CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)

(unaudited)

As at

March 31, 2009

December 31, 2008

### ASSETS

#### Current assets:

Cash	\$	6,918	\$	1,408
Accounts receivable		360,431		351,245
Revenue in excess of billings		123,512		169,702
Inventories		72,696		71,993
Prepaid expenses and deposits		14,067		11,955
Future income tax assets		10,631		13,225
Income taxes receivable		16,420		13,962
		604,675		633,490

Property, plant and equipment		423,820		433,114
Other long-term assets		1,274		2,318
Future income tax assets		19,928		19,948
	\$	1,049,697	\$	1,088,870

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### Current liabilities:

Accounts payable and accrued liabilities	\$	155,047	\$	230,789
Billings in excess of revenue		10,636		7,593
Income taxes payable		15,094		9,677
Future income tax liabilities		488		12,108
Current portion of long-term debt		80,686		60,267
		261,951		320,434

Long-term debt		249,878		250,164
Future income tax liabilities		34,629		36,118
		546,458		606,716

#### Shareholders' equity:

Accumulated other comprehensive gain (loss)		1,663		(1,073)
Deficit		(76,616)		(95,164)
		(74,953)		(96,237)
Capital stock (Note 3)		560,607		561,376
Contributed surplus		18,377		17,015
Shares repurchased under normal course issuer bid, not cancelled (Note 3)		(792)		-
		503,239		482,154
	\$	1,049,697	\$	1,088,870

Commitments and contingencies

See accompanying notes to the unaudited consolidated financial statements.

## CONSOLIDATED STATEMENTS OF EARNINGS

<i>(in thousands of Canadian dollars, except share data)</i> <i>(unaudited)</i>	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenue	\$ 530,151	\$ 515,583
Direct costs	441,474	423,766
	88,677	91,817
General and administrative expenses	42,279	38,137
Amortization on property, plant and equipment	14,039	15,559
Amortization on intangible assets	-	2,238
Stock based compensation expense	971	1,160
Earnings before other expense (income) and income taxes	31,388	34,723
Other expense (income):		
Interest expense	5,328	6,598
Interest income	(86)	(697)
Earnings before income taxes	26,146	28,822
Income taxes		
Current	18,446	17,891
Future (reduction)	(10,848)	(7,512)
	7,598	10,379
Net earnings	\$ 18,548	\$ 18,443
Earnings per share:		
Basic	\$ 0.40	\$ 0.39
Diluted	\$ 0.40	\$ 0.38
Weighted average common shares:		
Basic	46,187,745	47,648,923
Diluted	46,205,710	47,869,634

See accompanying notes to the unaudited consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	Three months ended March 31, 2009	Three months ended March 31, 2008
Net earnings	\$ 18,548	\$ 18,443
Other comprehensive gain, net of income taxes:		
Unrealized gain on foreign currency translation of self-sustaining foreign operations	2,736	2,766
Other comprehensive earnings	2,736	2,766
Comprehensive earnings	\$ 21,284	\$ 21,209

See accompanying notes to the unaudited consolidated financial statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	Accumulated Other Comprehensive Gain (Loss)	Capital Stock	Contributed Surplus	Retained Earnings (Deficit)	Adjustment arising from shares purchased under a normal course issuer bid	Total
Balance, December 31, 2007	\$ (26,325)	\$ 576,304	\$ 9,359	\$ 264,966	\$ -	\$ 824,304
Net earnings	-	-	-	18,443	-	18,443
Exercised employee stock options	-	2,872	-	-	-	2,872
Transfer for stock options exercised	-	1,138	(1,138)	-	-	-
Stock based compensation expense	-	-	1,160	-	-	1,160
Unrealized gain on foreign currency translation of self-sustaining foreign operations	2,766	-	-	-	-	2,766
Balance, March 31, 2008	\$ (23,559)	\$ 580,314	\$ 9,381	\$ 283,409	\$ -	\$ 849,545
Balance, December 31, 2008	\$ (1,073)	\$ 561,376	\$ 17,015	\$ (95,164)	\$ -	\$ 482,154
Net earnings	-	-	-	18,548	-	18,548
Stock based compensation expense	-	-	971	-	-	971
Purchases under normal course issuer bid (Note 3)	-	(769)	391	-	-	(378)
Purchases under normal course issuer bid, uncancelled	-	-	-	-	(792)	(792)
Unrealized gain on foreign currency translation of self-sustaining foreign operations	2,736	-	-	-	-	2,736
Balance, March 31, 2009	\$ 1,663	\$ 560,607	\$ 18,377	\$ (76,616)	\$ (792)	\$ 503,239

See accompanying notes to the unaudited consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	Three months ended March 31, 2009	Three months ended March 31, 2008
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Net earnings	\$ 18,548	\$ 18,443
Items not affecting cash:		
Amortization on property, plant and equipment	14,456	17,797
Amortization on finance charges	264	177
Loss (gain) on disposal of property, plant and equipment	67	(443)
Stock based compensation expense	971	1,160
Unrealized foreign exchange loss on long-term debt	346	415
Future income taxes (reduction)	(10,848)	(7,512)
Other items not affecting cash	297	-
	<b>24,101</b>	<b>30,037</b>
Changes in non-cash balances relating to operations	(31,354)	(108,275)
<b>Net cash used in operating activities</b>	<b>(7,253)</b>	<b>(78,238)</b>
<b>Investing activities:</b>		
Purchase of property, plant and equipment	(4,038)	(6,467)
Proceeds from disposal of property, plant and equipment	1,170	1,767
<b>Net cash used in investing activities</b>	<b>(2,868)</b>	<b>(4,700)</b>
<b>Financing activities:</b>		
Increase (decrease) in revolving operating loan	12,000	60,000
Proceeds from long-term debt	12,956	3,014
Repayments of long-term debt	(7,188)	(790)
Repayment of obligations under capital lease	(1,066)	(566)
Proceeds from issue of capital stock on exercise of options (Note 3)	-	2,871
Share repurchase via normal course issuer bid (Note 3)	(1,171)	-
<b>Net cash provided by financing activities</b>	<b>15,531</b>	<b>64,529</b>
Effect of foreign exchange rate changes on cash balances	100	24
Increase (decrease) in cash	5,510	(18,385)
Cash, beginning of period	1,408	32,318
<b>Cash, end of period</b>	<b>\$ 6,918</b>	<b>\$ 13,933</b>
<b>Supplemental cash flow information:</b>		
Net cash (paid) received during the period for:		
Interest paid	\$ (5,328)	\$ (6,386)
Interest received	86	697
Income taxes paid	\$ (15,487)	\$ (31,355)

See accompanying notes to the unaudited consolidated financial statements.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Three Months Ended March 31, 2009

*(unaudited)*

*(in thousands of Canadian dollars except share data unless otherwise stated)*

---

### **General**

Flint Energy Services Ltd. (the "Company" or "Flint") is incorporated in Canada under the Business Corporations Act (Alberta). The Company provides a full range of integrated products and services for the oil and gas industry including: midstream production services, infrastructure construction, oilfield transportation, and plant maintenance and other. The Company provides these services from over 60 centres in the oil and gas producing regions of western North America, from Inuvik in the Northwest Territories to Mission, Texas. The Company's common stock is traded on the Toronto Stock Exchange under the symbol "FES".

### **1. Basis of Presentation**

These unaudited interim consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada. They do not include all the disclosures as required for annual financial statements under Canadian generally accepted accounting principles. The interim consolidated financial statements include the accounts of Flint Energy Services Ltd. and all subsidiary companies, collectively the "Company". All subsidiary companies are wholly-owned and all material intercompany balances and transactions have been eliminated in consolidation. The Company proportionately consolidates its interests in joint ventures, whereby the Company's proportionate share of revenues, expenses, assets and liabilities are included in the accounts. The interim consolidated financial statements follow the same significant accounting policies as described and used in the consolidated financial statements included in the Company's most recent annual report of the Company for the year ended December 31, 2008, except as described in Note 2(a) below, and should be read in conjunction with that report.

The preparation of the interim consolidated financial statements require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results may differ materially from those estimates and assumptions.

There are factors causing quarterly variances which may not be reflective of the Company's future performance. These include, but are not limited to, weather, customer capital spending, as well as drilling programs which are affected by oil and natural gas commodity prices, and seasonal behaviours in customer spending caused by activities such as plant shutdown work. As the Company has United States operations, the consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations in translating the revenues and expenses of its United States operations to Canadian dollars. As a result, quarterly operating results should not be relied upon as any indication of results for any future period.

### **2. Summary of Significant Accounting Policies and Practices**

#### **(a) Changes in Accounting Policies**

##### **(i) Goodwill and Intangible Assets**

Effective January 1, 2009, the Company prospectively adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development." The new pronouncements establish standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition, and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the previous Section 3062. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Accounting Standard IAS 38, Intangible Assets. The adoption of this standard did not have a significant impact on its consolidated financial statements.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Three Months Ended March 31, 2009

*(unaudited)*

*(in thousands of Canadian dollars except share data unless otherwise stated)*

---

### (b) Future Accounting Pronouncements

#### (i) Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian Generally Accepted Accounting Principles (GAAP), as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS.

As of March 31, 2009, the Company has completed high-level assessments of the major differences between Canadian GAAP and IFRS that is relevant to the Company, along with preliminary position papers on accounting policy choices, and commenced evaluations of the potential impacts on its financial reporting. However, management has not yet finalized its determination of the impact of these differences on the consolidated financial statements. As this assessment is finalized, the Company intends to disclose such impacts in its future consolidated financial statements.

#### (ii) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", which replaces the existing standard. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date, and that non-controlling interests will be measured at fair value at the date of acquisition. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011, and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

#### (iii) Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1602, "Non-Controlling Interests", which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. The Section is effective for interim and annual financial statements beginning on January 1, 2011, and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

#### (iv) Consolidated Financial Statements

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements", which replaces the existing standards. This Section carries forward existing Canadian guidance for preparing consolidated financial statements other than non-controlling interests. The Section is effective for interim and annual financial statements beginning on January 1, 2011, and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2009

(unaudited)

(in thousands of Canadian dollars except share data unless otherwise stated)

### 3. Capital Stock

Issued Capital Stock:

Authorized:

Unlimited common shares

Unlimited preferred shares

Issued:	Note	Common shares	Amount
Balance, December 31, 2008		46,188,514 \$	561,376
Share repurchase via normal course issuer bid		(63,300)	(769)
Balance, March 31, 2009		46,125,214 \$	560,607

On February 26, 2008, the Company released details of the Normal Course Issuer Bid (NCIB) to purchase up to 2,379,689 of the Company's common shares, representing 5% of its then issued and outstanding common shares. The Normal Course Issuer Bid commenced on February 29, 2008 and terminated on February 28, 2009.

On February 26, 2009, the Company received regulatory approval to make an additional Normal Course Issuer Bid to purchase up to 2,308,725 common shares, representing 5% of the total issued and outstanding common shares. The Normal Course Issuer Bid commenced on March 3, 2009, and will terminate on March 2, 2010.

During the three months ended March 31, 2009, 178,700 common shares were repurchased pursuant to the Company's Normal Course Issuer Bids, for a total expenditure of \$1,171, or \$6.55 per share. Of the shares repurchased, 63,300 were cancelled, resulting in the average carrying value of \$769 being allocated as a reduction to share capital, and \$391 representing the consideration below stated value was charged to contributed surplus during the period. The remaining 115,400 common shares were repurchased for a total expenditure of \$792 (March 31, 2008 - \$nil), or \$6.87 per share, but were not cancelled by March 31, 2009. This expenditure has been recorded as a reduction of shareholders' equity until such time that the shares are cancelled. As of March 31, 2009, these shares had an average carrying value of \$1,403 included in capital stock. These shares have been excluded from the calculation of the weighted average common shares outstanding during the three months ended March 31, 2009.

### 4. Segmented Information

As at March 31, 2009, the Company is operating within four reportable business segments, each of which are distinct business units that offer different products and services within the oil and natural gas industry. These reportable business segments include Production Services, Facility Infrastructure, Oilfield Services, and Maintenance Services.

During 2008, the Company operated within five reportable business segments. Effective January 1, 2009, the Company restructured its business segments as part of a process to streamline operations, which resulted in a reduction of the Company's business segments from five to four. The comparative results have been restated to conform with the new segment presentation. The restructuring of the previous reportable business segments include:

- Production Services segment, which now includes the previous Tubular Management and Manufacturing segment. This segment remains focused on midstream oil and gas field production services. These services encompass: fabrication; construction and maintenance of production facilities; mid-inch pipelines; production equipment; and mid-sized construction management with the inspection repair and refurbishing of production tubing, drill pipe, sucker rods, casing, small diameter pipelines and polyethylene pipe and liners.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2009

(unaudited)

(in thousands of Canadian dollars except share data unless otherwise stated)

- Facility Infrastructure segment, which includes its oil sands construction activities, remains unchanged and provides construction management, modular fabrication, and field construction services on major construction projects, primarily in Edmonton and Fort McMurray, Alberta.
- Oilfield Services segment, which now combines the Fluid Haul Services business unit previously reported in Production Services, and the previous Oilfield Transportation segment. This new segment provides drill rig and service rig moving; module, equipment and specialty hauling; fluid handling; pressure and vacuum services; industrial and chemical cleaning; and coiled tubing and flush-by services.
- Maintenance Services segment remains unchanged, and consists of four joint ventures: FT Services; Mackenzie Valley Construction; SRP North Ventures; and Mackenzie Aboriginal Corporation.

The Company allocates resources based on revenue and evaluates performance of operating segments based on earnings before interest, taxes, depreciation, amortization, and stock based compensation, which follows the organization, management and reporting structure of the Company.

### (a) Reportable Segments

Selected financial information for each reportable business segments is as follows:

<i>(in thousands of Canadian dollars)</i>	Production Services	Facility Infrastructure	Oilfield Services	Maintenance Services	Total
<i>Three months ended March 31, 2009</i>					
Revenue	\$ 254,960	\$ 143,310	\$ 70,239	\$ 61,642	\$ 530,151
EBITDA <sup>1</sup>	19,303	12,668	8,558	5,869	46,398
EBITDA %	7.6%	8.8%	12.2%	9.5%	8.8%
Amortization	6,081	1,840	5,088	1,030	14,039
Capital expenditures	1,565	694	1,078	707	4,044
<i>Three months ended March 31, 2008 (restated)</i>					
Revenue	\$ 289,830	\$ 101,051	\$ 86,115	\$ 38,587	\$ 515,583
EBITDA <sup>1</sup>	29,214	8,028	13,620	2,838	53,700
EBITDA %	10.1%	7.9%	15.8%	7.4%	10.4%
Amortization	8,835	2,300	6,360	302	17,797
Capital expenditures	1,457	369	2,869	1,772	6,467

<sup>1</sup> In addition to providing earnings measures in accordance with GAAP, the Company presents EBITDA as a supplemental earnings measure as it is used by the chief operating decision makers of the Company to measure operating segment profitability. EBITDA is equal to earnings before interest, taxes, depreciation, amortization, and stock based compensation. Management uses EBITDA to establish performance benchmarks for incentive compensation for employees, to evaluate the performance of its operating segments, and in valuing existing operations to determine potential goodwill impairment. EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by GAAP, and may not be comparable to similar measures presented by other issuers.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2009

(unaudited)

(in thousands of Canadian dollars except share data unless otherwise stated)

<i>(in thousands of Canadian dollars)</i>	Production Services	Facility Infrastructure	Oilfield Services	Maintenance Services	Total
<i>As at March 31, 2009</i>					
Goodwill	-	-	-	-	-
Total assets	448,550	253,072	251,597	96,478	1,049,697
<i>As at December 31, 2008 (restated)</i>					
Goodwill	-	-	-	-	-
Total assets	514,290	275,217	251,743	47,620	1,088,870

### (b) Geographic Segments

The Company's operations are carried on in the following geographic locations:

	Canada	United States	Total
<i>For the three months ended March 31, 2009</i>			
Revenue	\$ 424,203	\$ 105,948	\$ 530,151
<i>For the three months ended March 31, 2008</i>			
Revenue	\$ 403,256	\$ 112,327	\$ 515,583
<i>As at March 31, 2009</i>			
Property, plant and equipment	357,217	66,603	423,820
Total assets	879,580	170,117	1,049,697
<i>As at December 31, 2008</i>			
Property, plant and equipment	365,612	67,502	433,114
Total assets	969,209	119,661	1,088,870

### (c) Reconciliation of EBITDA

<i>For the three months ended</i>	March 31, 2009	March 31, 2008
Net earnings	18,548	18,443
Amortization	14,039	17,797
Stock based compensation expense	971	1,160
Interest expense, net of interest income	5,242	5,901
Income tax expense	7,598	10,379
EBITDA	46,398	53,680

## 5. Commitments and Contingencies

At March 31, 2009, the Company was involved in various legal claims related to the normal course of operations. Management believes that it has adequately provided a provision for these legal claims.

## 6. Comparative Information

Certain comparative figures have been reclassified to conform to current period presentation.

## Corporate Information

### Directors

**John Geddes**  
Chairman of the Board  
Flint Energy Services Ltd.  
Calgary, Alberta

**W. J. (Bill) Lingard**  
President and  
Chief Executive Officer  
Flint Energy Services Ltd.  
Calgary, Alberta

**John Bates**  
President  
Flint Resources Company,  
LLC  
Tulsa, Oklahoma

**Stuart O'Connor**  
President  
Timber Ridge Capital Ltd.  
Calgary, Alberta

**Douglas E. Swanson**  
Retired  
Former CEO  
Oil States International Inc.  
Houston, Texas

**T. D. (Terry) Freeman**  
Managing Director  
Northern Plains  
Investment Growth Fund  
Edmonton, Alberta

**C. Douglas Annable**  
President  
CD Consulting Inc.  
Calgary, Alberta

**Philip C. Lachambre**  
President  
PCML Consulting Inc.  
Edmonton, Alberta

### Officers

**W. J. (Bill) Lingard**  
President and  
Chief Executive Officer

**Paul M. Boechler**  
Chief Financial Officer  
and Corporate Secretary

**Wayne Shaw**  
Senior Vice President,  
Infrastructure Services

**Keith Lambert**  
Senior Vice President,  
Production Services

**Bryce Satter**  
President, Flint Energy  
Services Inc. (U. S. A.)

**Shawn Carry**  
Senior Vice President,  
Oilfield Services

**Bob Henderson**  
Vice President,  
Human Resources

**Glen Greenshields**  
Corporate Vice President

### Bankers

Bank of Montreal

### Auditors

KPMG LLP

### Legal Counsel

Bennett Jones LLP

### Transfer Agent and Registrar

Computershare Trust  
Company of Canada  
600, 530 – 8th Ave. S. W.  
Calgary, Alberta  
T2P 3S8  
Tel: 1-888-267-6555  
Email: [caregistryinfo@computershare.com](mailto:caregistryinfo@computershare.com)  
[www.computershare.com](http://www.computershare.com)

### Stock Exchange Listing

Toronto Stock Exchange  
(TSX)  
Common Shares – FES

### Corporate Head Office

700, 300 – 5th Ave. S. W.  
Calgary, Alberta, Canada  
T2P 3C4  
Tel: 403-218-7100  
Toll Free: 1-877-215-5499  
Fax: 403-215-5445  
[www.flintenergy.com](http://www.flintenergy.com)