MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis 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, 2006 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 provides a range of integrated products and services for the oil and gas industry including: production services; construction; oilfield transportation; process equipment design and manufacturing; and tubular management services. Flint provides these products and services from 60 strategic centres 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 provider of infrastructure construction management, module fabrication, and maintenance services for upgrading and production facilities in Alberta's oil sands sector.

Forward-Looking Information

This report dated as at March 13, 2007 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 2007 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 this

report, in the Company's Annual Information Form for the year ended December 31, 2006 and in other documents filed with Canadian provincial securities authorities and available to the public at 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 unduly relied upon. These statements speak only as of the date of this report. The Company does not undertake to update any forward-looking statement, 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.

Consolidated Annual Financial Results

Flint's net earnings for the year ended December 31, 2006 were $54.6 million ($1.41 per common share – diluted) compared to $45.7 million ($1.35 per common share – diluted) in 2005. The increase in net earnings resulted from a 41.2% increase in revenue to $1,455.7 million from $1,031.1 million in 2005, while gross margins were maintained at levels similar to 2005. The 2006 financial results were negatively impacted by the passing into law of Bill 15 by the Quebec National Assembly, which included retroactive changes to the Quebec Taxation Act that create taxable income in Quebec for Flint for the 2002 to 2005 taxation years. The impact on tax expense was $15.5 million and on interest expense was $4.2 million. If not for the impact of the Quebec retroactive tax legislation, diluted earnings per share would have been $1.91 or $0.50 higher.

On December 1, 2006 the Company purchased all of the shares of Transco Energy Services Ltd. ("Transco"), an oilfield transportation and logistics and tubular management company with operations in British Columbia, Alberta, Saskatchewan and the Northwest Territories. This acquisition is the largest undertaken by the Company in its history with a total purchase price of $347.8 million and with most recent annual revenues in excess of $350 million. The acquisition expands Flint's services to existing customers and provides synergies across the combined operations. The operating results of Transco have been consolidated into Flint's financial statements for the one-month period following the closing of the acquisition.

On July 4, 2006 the Company acquired Denmar Energy Services Ltd. ("Denmar") a privately owned company with operations based in Bonnyville, Alberta. The purchase price of Denmar was $23.2 million and the company had most recent annual revenues in excess of $50 million. Denmar provided services similar to Flint's Production Services operating segment. The Denmar acquisition strengthened Flint's regional presence in an important heavy oil producing area. The operating results of Denmar have been consolidated into Flint's financial statements following the closing of the acquisition.

The Company also announced on September 28, 2006 that it had formed an operations and maintenance company, Flint Transfield Services Limited ("FT Services") with Transfield Services Limited ("Transfield") of Australia. FT Services is a joint venture owned 50% by Flint and 50% by Transfield. FT Services announced in early 2007 the commencement of exclusive negotiations with a major oil sands producer for a contract with revenues worth in excess of $1 billion over a 5 year contract period. FT Services did not have any revenues or expenses requiring proportionate consolidation in the Company's financial statements for the fiscal year ended December 31, 2006. Included in general and administrative expenses for the quarter are $1.3 million representing Flint's share of start-up costs related to FT Services, which were directly incurred by Flint.

On October 11, 2006, the Company announced a two-for-one stock split of the outstanding common shares of the Company. The common shares began trading on a split basis on the Toronto Stock Exchange on December 13, 2006, being the second trading day preceding the record date of December 15, 2006. The number of authorized but unissued shares of the Company's common stock were not changed as a result of the stock split. Unless otherwise stated, all references to share and per share amounts in the consolidated financial information have been retroactively restated to give effect to this share split.

Summary of Consolidated Financial Results

($ millions, except per share data)

	2006		2005		2004	
Revenue	**$ 1,455.7**	**100.0 %**	$ 1,031.1	100.0 %	$ 743.8	100.0 %
Direct costs	**1,168.2**	**80.3**	829.2	80.4	596.5	80.2
Gross profit	**287.5**	**19.7**	201.9	19.6	147.3	19.8
General & administrative expense	**125.1**	**8.6**	87.0	8.4	77.5	10.4
Stock based compensation expense	**3.6**	**0.2**	2.8	0.3	2.0	0.3
Amortization	**36.3**	**2.5**	28.2	2.7	32.2	4.3
Earnings from operations	**122.5**	**8.4**	83.9	8.2	35.6	4.8
Interest	**16.2**	**1.1**	15.2	1.5	13.3	1.8
Debt restructuring costs	**–**	**–**	–	–	2.1	0.3
Earnings before income taxes	**106.3**	**7.3**	68.7	6.7	20.2	2.7
Income taxes	**51.7**	**3.6**	23.0	2.2	5.3	0.7
Net earnings	**54.6**	**3.7 %**	45.7	4.5 %	14.9	2.0 %
Per common share – basic	**1.44**		1.37		0.45	
Per common share – diluted	**1.41**		1.35		0.45	
Total assets	**1,471.3**		734.5		629.7	
Total long-term liabilities	**436.7**		239.3		245.5	

Revenue

Revenue for the year ended December 31, 2006 was $1,455.7 million compared to $1,031.1 million in 2005. Increased activity levels for the Production Services operating segment in 2006 resulted in 60.0% of the $424.5 million year-over-year increase in revenue. The Production Services revenue increase is due to customer demand increases in both Canadian and United States geographic locations. In Canada, most of the increase in demand is from established customers for which the Company has established preferred or alliance type contractual arrangements. The additional revenue derived from the acquisition of Denmar on July 4, 2006 by Canadian Production Services also contributed to the increase in revenue.

Locations in Canada that experienced the largest increase in revenue are in the Company's Northern Region where a number of large customer projects were taking place and in the Company's Eastern Region, where the main operations of Denmar are located. Production Services experienced lower year-over-year revenue from the Southern Regions due to continued delays in permitting, customer start-up on a number of projects and a general slow down in customer activity in shallow gas producing areas in Canada.

Demand for the Production Services United States operating segment increased from a broader array of customers due to increased activity in gas producing areas of the United States, particularly from activity in the Southwestern United States and Rocky Mountain region.

Facility Infrastructure contributed 32.0% of the $424.5 million year-over-year increase in revenue. The increase in revenue from this business unit was due to continued execution of Flint's backlog of work related to oil sands development.

The acquisition of Transco in December 2006 added $25.0 million or 5.9% of the $424.5 million year-over-year increase in revenue to the Company's 2006 consolidated revenue.

The remaining increase in year-over-year revenue is due to the increase in sales of natural gas processing units in the Company's United States manufacturing division; J.W. Williams Inc.

Direct Costs

Direct costs for the year ended December 31, 2006 were $1,168.2 million compared to $829.2 million in 2005. The increase is a direct result of higher activity, which resulted in higher revenue in 2006. Gross margin as a percentage of revenue remained relatively constant at 19.8% in 2006 against 19.6% in 2005. Gross margin as a percentage of revenue for the new Oilfield Transportation and Tubular Management & Manufacturing operating segments, added on December 1, 2006 as a result of the Transco acquisition, are higher than the Company's other operating segments, however, they did not have a significant impact on the year-to-date margin percentage due to only having one month of operating results added to the 2006 fiscal year. Price increases in the earlier part of 2006 in the Production Services operating segment, although more than offsetting increases in equipment and personnel costs in the earlier part of the year were not sufficient to cover the increase in costs for the entire period. Further price increases are being instituted for 2007 in this operating segment. Partially offsetting personnel and equipment costs was the impact of the Alberta Workers Compensation Board ("WCB") providing a refund related to the over funding of claims provisions in prior years.

General and Administrative

General and administrative expenses for the year ended December 31, 2006 were $125.1 million compared to $87.0 million in 2005. At 8.6% as a percentage of revenue, overhead costs are consistent with the 8.4% level experienced in 2005. The $38.1 million increase in year-over-year general and administrative costs resulted from increases in personnel and salaries, benefits and bonuses required to manage the increase in Company activity and stay competitive in a tight labour market. The Company's general and administrative costs also increased due to a 49% interest in a joint venture, located in Inuvik, Northwest Territories, which was acquired in the fourth quarter of 2005, the acquisition of Denmar on July 4, 2006, the acquisition of Transco on December 1, 2006, as well as the lease of additional office space in Calgary, Alberta in the fourth quarter of 2005 and additional office space added in Sherwood Park, Alberta, in the third quarter of 2006, to provide space for additional employees required to manage the increase in oil sands related projects. New field service locations in Hobbs, New Mexico, and in Bridgeport and Cleburne, Texas were opened throughout 2005 and a full year of general and administrative costs from these locations are reflected in the 2006 fiscal year. Professional fees increased in 2006 due to legal representation fees related to a subpoena received in the first month of 2006 from the U.S. Department of Justice and consulting fees incurred to comply with the requirements of Bill C-198 with respect to disclosure and internal controls. In addition, $1.3 million of expenses were incurred in 2006 directly by the Company related to professional consulting and other costs in the process of forming the FT Services joint venture and reviewing bidding opportunities for services to be offered by FT Services. In 2007 these costs will be incurred directly by FT Services.

Stock Based Compensation Expenses

Stock based compensation increased in 2006 to $3.6 million from $2.8 million in 2005 due to the issuance of 1,175,150 options during the year.

Amortization

Amortization of property, plant and equipment for the year ended December 31, 2006 was $33.9 million compared to $27.6 million in 2005 as a result of the addition of new equipment and buildings added throughout 2006, the majority of which was added through the purchase of companies. The increase in amortization of intangibles and other deferred charges relate primarily to the acquisition of Denmar on July 4, 2006 and Transco on December 1, 2006.

Interest Expense

Interest expense for the fiscal year ending December 31, 2006 increased by $2.9 million due to the recording of interest of $4.2 million related to Quebec tax reassessments received in the second quarter of 2006. In 2006, interest incurred through the Company's operating line was less than that incurred in the 2005 fiscal year. The Company raised equity in a primary share offering, which closed in May 2006, and used the majority of the proceeds to reduce operating borrowings during the period from May 2006 to the closing of the Transco acquisition on December 1, 2006. Interest on term facilities and capital leases are primarily at fixed rates and therefore this component of interest expense did not vary significantly for the first eleven months of the year. The Company amended and restated its credit facility agreement with its lending syndicate, adding new term facilities to partially fund the Transco acquisition and replace Transco's existing term facility and thereby increasing interest expense in the latter part of the fourth quarter of 2006.

Interest income of $1.8 million was earned in 2006 on surplus cash invested in short term secured investments. The surplus cash resulted from the receipt of proceeds from the issue of 4,000,000 shares in May 2006 and 4,873,000 shares in November 2006.

Income Taxes

Income tax expense for the year ended December 31, 2006 was $51.7 million compared to $23.0 million in 2005. The increase was due to higher net earnings, the elimination of the use of a Quebec Trust structure, which had an impact in 2005 of lowering the Company's overall marginal tax rate, and the requirement to record $15.5 million in tax reassessments received from the province of Quebec. In 2006 the Quebec National Assembly passed into law Bill 15, which included retroactive changes to the Quebec Taxation Act that had the impact of creating Quebec taxable income for the Company for the 2002, 2003, 2004 and 2005 taxation years. There remains the possibility that eventual exposure under the legislation may be reduced and the Company will pursue all avenues of appeal available to mitigate the tax liability.

Consolidated Financial Position

Consolidated total assets increased in 2006 to $1,471.3 million at December 31, 2006 from $734.5 million at December 31, 2005. The increase in assets was partially due to the December 1, 2006 acquisition of Transco whose property, plant and equipment alone totaled $209.4 million at the acquisition date. An increase in unbilled revenue and accounts receivable, which has grown in conjunction with the increase in revenue from the Production Services and Facility Infrastructure operating segments, was also a major contributor to the overall increase in assets.

Consolidated total liabilities increased by $304.4 million to $694.1 million at December 31, 2006 from $379.8 million at December 31, 2005, primarily as a result of increased term and operating line borrowings required to partially fund the acquisition of Transco on December 1, 2006. Accounts payable also increased due to the payables related to ongoing operations of Transco as well as an increase relating to the growth in overall business activity for the Company's Production Services and Facility Infrastructure operating segments. Income taxes payable also increased due to a Quebec retroactive tax reassessment that the Company has appealed and not paid and due to an increased tax expense related to the increase in net income in 2006.

Cash increased by $1.0 million to $11.5 million at December 31, 2006 from $10.5 million at the end of 2005 due to the timing of drawing down operating lines. The Company reduces the use of operating lines when excess cash is deposited. Depending on the timing of customer receipts this transfer of cash does not occur on the same day as the receipt as experienced at both the 2005 and 2006 fiscal year ends.

Accounts receivable increased by $85.9 million to $291.2 million at December 31, 2006 from $205.3 million at the end of the prior year. The increase primarily resulted from higher revenues in the fourth quarter of 2006 as compared to the fourth quarter of 2005 and due to the additional accounts receivable balances acquired through the December 1, 2006 Transco acquisition.

Revenue in excess of billings and work-in-progress increased by $100.8 million to $205.2 million at December 31, 2006 from $104.4 million at the end of the prior year. The increase primarily resulted from higher activity levels in the fourth quarter, relative to last year, and the timing of project billings on oil sands related work.

Inventory levels increased by $16.8 million to $38.5 million at December 31, 2006 from $21.7 million at the end of the prior year primarily due to the acquisition of Transco on December 1, 2006. The Company's United States manufacturer of oil and gas production equipment, J.W. Williams Inc., which also is included in the Tubular Management & Manufacturing operating segment, carries the majority of the remaining inventory balance.

Prepaid expenses and other current assets increased by $11.5 million to $20.1 million at December 31, 2006 as compared to $8.6 million at December 31, 2005. Most of the increase relates to assets acquired through the acquisition of Transco on December 1, 2006 including the addition of consumable parts and fluids.

Property, plant and equipment increased by $248.4 million to $428.4 million at December 31, 2006 from $180.0 million at the end of the prior year. At year-end 2006 the operations acquired through the Transco acquisition on December 1, 2006 account for $209.4 million of the increase in property, plant and equipment. In addition, equipment and facilities in the Production Services and Facility Infrastructure operating segments were added throughout 2006 to support the growth in these operations.

Goodwill increased by $208.4 million to $406.6 million at December 31, 2006 from $198.2 million at December 31, 2005 primarily due to the acquisition of Denmar on July 4, 2006 and Transco on December 1, 2006. Management has tested the carrying value of goodwill in 2006 and has determined that no impairment has occurred.

Accounts payable and accrued liabilities increased by $72.8 million to $187.8 million at December 31, 2006 from $115.0 million at the end of the prior year. The increase is due to the acquisition of Transco on December 1, 2006 and as a result of increased activity in the Production Services and Facility Infrastructure operating segments year-over-year.

Long-term debt including current portion increased by $162.2 million to $379.1 million at December 31, 2006 compared to $216.9 million at the end of 2005 as a result of funding a component of the Transco acquisition on December 1, 2006 using term and operating facilities, including the replacement of Transco's pre-existing debt. The Company amended and restated its credit agreement in November to facilitate the Transco acquisition, increasing its operating line facilities availability by $60 million and net term facilities by $70 million Canadian and $40.3 million USD. Long-term debt includes the utilized portion of the operating line facility, as the facility does not mature until November 30, 2009.

Capital stock increased by $365.8 million to $569.1 million at December 31, 2006 from $203.3 million at December 31, 2005 primarily due to two share offerings that closed on May 2, 2006 and November 1, 2006 and a related over-allotment option exercise that closed on December 6, 2006, and the issuance of shares as partial consideration for the acquisition of Denmar on July 4, 2006 and Transco on December 1, 2006.

Net proceeds from the two share offerings in 2006 of $242.2 million were used to fund the cash component of the Denmar and Transco acquisitions as well as to purchase capital assets and fund working capital.

Consolidated Fourth Quarter Financial Results

Net earnings for the quarter ended December 31, 2006 were $16.9 million on revenue of $426.6 million compared to net earnings of $11.6 million on revenue of $292.8 million for the comparative quarter in 2005. Funds provided by operations before changes in non-cash working capital for the three-month period were $33.4 million compared to $21.1 million for the comparative period in 2005. Diluted earnings per share for the fourth quarter of 2006 increased to $0.39 from $0.34 for the comparative quarter in 2005.

The primary reason for the quarter's higher net earnings is a $133.8 million or 45.7% fourth quarter year-over-year increase in revenue. The acquisition of Transco on December 1, 2006 added $25.0 million in revenue. The majority of the remaining fourth quarter year-over-year increase in revenue is due to an increase in demand for the Company's Production Services operating segment in both Canada and the United States. The Facility Infrastructure operating segment also experienced an increase due to the continued execution of projects secured in prior periods.

Fourth quarter consolidated gross margin of 19.5% is higher than the prior year's fourth quarter gross margin of 19.3% primarily due to the Company's Facility Infrastructure operating segment obtaining client approval in the fourth quarter of 2006 of previously performed out of scope work. The formal client approval of this work is required under GAAP prior to the recording of the additional margin attributed to this work. Also contributing to the increase in margin percentage was the addition of one month's revenues from Transco whose service lines on average have higher overall margins than the Company's other operating segments. The increase in margin percentage was offset by a decline in the Canadian portion of the Production Services operating segment. The Canadian Production Service division experienced poor operating results in Southern Alberta due to project execution issues on a limited number of projects and low utilization of equipment.

The combination of overall fourth quarter margins and higher revenue resulted in gross profit of $83.3 million, $26.8 million or 47.4% higher than gross profit of $56.5 million in the fourth quarter of 2005.

Amortization of the fair market bump on assets and intangibles acquired through the purchase of Transco on December 1, 2006 reduced net earnings by $1.0 million in the quarter.

Quarterly Information

($ millions, except per share data)		**2006**				2005		
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$426.6**	**$341.5**	**$354.7**	**$332.8**	$292.8	$247.5	$237.3	$253.5
Net earnings	**16.9**	**12.9**	**6.0**	**18.8**	11.6	11.8	8.7	13.7
per common share-basic	**0.39**	**0.34**	**0.17**	**0.56**	0.35	0.35	0.26	0.41
per common share-diluted	**0.39**	**0.33**	**0.16**	**0.55**	0.34	0.35	0.26	0.41

A number of factors contribute to variations in the Company's results between periods such as weather, customer capital spending, including drilling programs affected by oil and natural gas commodity prices, seasonal behaviors in customer spending such as plant shutdown work, the Company's ability to manage its project related business so as to avoid or minimize periods of relative inactivity due to breaks in between projects, and changes and additions within the Company's service offerings as it strives to find the optimum portfolio of services to meet customer needs and maximize shareholder return.

Certain of the Company's business lines relate to the maintenance and operation of oilfield facilities, producing generally consistent revenues, while other business lines relate to large projects, potentially resulting in inconsistent revenue streams over a period of 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 provided on an as needed basis and therefore does not generate a perfectly consistent revenue stream between periods. The addition of Transco on December 1, 2006 added transportation and tubular management services to the Company's business lines, whose primary business drivers are related to the drilling cycle in the Western Canadian Sedimentary Basin. Certain segments of the Transco service offerings, such as the specialized heavy haul division, will have more specific business drivers related to movement of large pieces of equipment and module components of construction projects.

As Flint has United States operations, the Company's 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. In 2006, 25.2% (2005 – 26.3%) of the Company's business activity was in the United States. The fluctuation in the United States to Canadian dollar exchange rate between periods has not had a significant effect on the results of the Company.

Increases in revenue, in the most recent quarters, are primarily due to securing contracts related to oil sands development and from increased demand for the Company's services from customers who are developing natural gas reserves. Additional revenue was added in the third and fourth quarter of 2006 through the acquisition of Denmar on July 4, 2006. One month of revenue from the Transco acquisition on December 1, 2006 was also added to the 2006 fourth quarter revenue. Second quarter net earnings were negatively impacted by the recording of $18.8 million in taxes and interest related to retroactive Quebec tax legislation. All quarters of 2006 experienced the highest revenue on a quarterly basis since the Company became publicly traded.

Results of Operations

With the acquisition of Transco on December 1, 2006, the Company changed its segment disclosures by adding an additional two operating segments, namely, Oilfield Transportation and Tubular Management & Manufacturing. The Oilfield Transportation operating segment includes activities focused around specialized hauling such as drilling rig moving and heavy hauling and service rig moving and light hauling. The Tubular Management & Manufacturing operating segment includes inspection, threading and refurbishment of drill pipe, pipe storage facilities, and manufacturing of plastic pipe product and gas processing equipment. The manufacturing operations of J.W. Williams, formerly included in the Facility Infrastructure operating segment, are now included in the Tubular Management & Manufacturing operating segment due to closer operating similarities of this segment. Transportation Systems, which included the planning and installation of larger diameter pipe, was formerly included in Facility Infrastructure, and now is combined with Production Services as this division is now managed by the Production Services operating segment due to the operating synergies, such as the sharing of equipment and personnel. The Company now reports operations under four operating segments, Production Services, Facility Infrastructure, Oilfield Transportation and Tubular Management & Manufacturing. The segment reporting was applied retroactively with restatement of prior periods.

Annual consolidated revenue for the Company increased by 41.2% to $1,455.7 million as compared to the $1,031.1 million of revenue earned in the 2005 fiscal year. As a direct result of the higher revenue, earnings before interest, taxes, depreciation, amortization and stock based compensation ("EBITDA") increased by 41.3% to $162.4 million in 2006 from the $114.9 million earned in 2005, as the additional gross margin achieved on higher revenue was more than the increases in general and administrative expenses required to support the rise in operational activities.

Of the $424.5 million increase in revenue in 2006 from 2005, 60.0% was from the Production Services operating segment due primarily to increased work for customers for which the Company has established preferred or alliance type contractual arrangements. The Company's Facility Infrastructure operating segment contributed 32.0% of the year-over-year increase in revenue as a result of the successful execution of the backlog of work related to oil sands development. The remaining increase in revenue was due to an increase in sales of production equipment from the Company's U.S. manufacturing division included as part of the Tubular Management & Manufacturing operating segment and the one-month of revenue from Transco whose operating divisions are split between the Oilfield Transportation and Tubular Management & Manufacturing operating segments.

Selected Segmented Annual Information

($ millions)	**2006**		2005		2004	
Revenue by operating segment						
Production Services	**$ 913.7**	**62.8 %**	$ 658.8	63.9 %	$ 543.2	73.0 %
Facility Infrastructure	**426.6**	**29.3**	290.9	28.2	149.0	20.0
Oilfield Transportation	**17.4**	**1.2**	–	0.0	–	0.0
Tubular Management & Manufacturing	**98.0**	**6.7**	81.4	7.9	51.6	7.0
Total	**$ 1,455.7**	**100.0 %**	$ 1,031.1	100.0 %	$ 743.8	100.0 %
EBITDA[1] by operating segment						
Production Services	**$ 97.6**	**60.1 %**	$ 80.9	70.4 %	$ 49.5	70.9 %
Facility Infrastructure	**44.0**	**27.1**	25.9	22.5	15.8	22.6
Oilfield Transportation	**3.8**	**2.3**	–	0.0	–	0.0
Tubular Management & Manufacturing	**17.0**	**10.5**	8.1	7.1	4.5	6.5
Total	**$ 162.4**	**100.0 %**	$ 114.9	100.0 %	$ 69.8	100.0 %

1 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.

Production Services

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

Revenue

Revenue from the Production Services operating segment for the year ended December 31, 2006 increased 38.7% to $913.7 million from $658.8 million in the prior year. In Canada most of this increase in demand is from customers for which the Company has established preferred or alliance type contractual arrangements. The additional revenue derived from the acquisition of Denmar on July 4, 2006 also contributed to the increase in revenue. Locations in Canada that experienced the largest increase in revenue are in the Company's Eastern Region, where the main operations of Denmar are located and in the Northern Region, where a number of large customer projects are taking place. Demand for the Production Services' United States operating segment increased from a broader array of customers due to increased activity in gas producing areas of the United States, particularly from activity in the Southwestern United States. Partially offsetting these increases in revenue

was continued lower activity levels in the Company's Southern Alberta offices due to delays in permitting or customer start-up on a number of projects in the earlier quarters in the year and due to lower commodity prices which had more impact on customer capital spending for shallow gas projects located in this region.

EBITDA

Production Services' EBITDA increased by 20.7% to $97.6 million in 2006 from $80.9 million in 2005 as a result of the higher revenue achieved. Although gross margin as a percentage of revenue increased in the United States due to an increase in pricing of services, Canadian margins as a percentage of revenue resulted in an overall decline in this operating segment's year-over-year margin percentage. Canadian price increases instituted in the earlier part of 2006, although offset increases in equipment and personnel costs in the earlier part of the year, where not sufficient to cover the increase in costs experienced throughout the whole of 2006. In addition, poor operating results in Southern Alberta were experienced due to execution issues on a limited number of projects and inefficient utilization of equipment, which further negatively impacted margins. General and administrative costs also rose due to the acquisition of Denmar on July 4, 2006 and the addition and expansion of field offices in the later part of 2005 to better serve customers in areas of expanding activities.

Facility Infrastructure

The Facility Infrastructure operating 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 effect on the results of this operating 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 operating segment for the year ended December 31, 2006 increased 46.6% to $426.6 million from $290.9 million in the prior year. The year-over-year increase in revenue is due to the successful execution of Flint's backlog of work related to oil sands development.

EBITDA

Facility Infrastructure's EBITDA increased by 69.7% to $44.0 million for the year ended December 31, 2006 from $25.9 million in 2005. The increase is a result of higher activity levels in 2006 compared to 2005. Gross margin as a percentage of revenue increased as fixed operating costs were not required to rise in proportion to the increase in revenue. Increases in general and administrative costs, required to support the higher activity level in this operating segment offset further gains in EBITDA.

Oilfield Transportation

The Oilfield Transportation operating segment includes activities focused around specialized hauling such as drilling rig moving and heavy hauling and service rig moving and light hauling.

Revenue

The Oilfield Transportation operating segment was added as a result of the acquisition of Transco on December 1, 2006. The $17.4 million in revenue included in this operating segment is for the one month period following the acquisition date. Additional Transco revenue for the month of December is included in the Tubular Management & Manufacturing operating segment.

EBITDA

Oilfield Transportation's EBITDA of $3.8 million is for the one month period following the acquisition of Transco on December 1, 2006. This operating segment maintains operating facilities in many of the same locations that the Canadian Production Services operating segment is located. The Company is developing plans to integrate some of these locations where overall operating costs can be reduced and service levels maintained or enhanced. Management believes that combining some locations will better utilize facilities and will reduce overall operating and general and administrative costs. Some capital expenditures are likely to be required to accommodate sharing of facilities, however, some of these costs will be offset by the disposal of smaller facilities and the elimination of some leased facilities.

Tubular Management & Manufacturing

The Tubular Management & Manufacturing operating segment includes inspection, threading and refurbishment of drill pipe, pipe storage facilities, and manufacturing of plastic pipe product and gas processing equipment.

Revenue

Revenue from the Tubular Management & Manufacturing operating segment increased by 20.4% to $98.0 million for the year ended December 31, 2006 from $81.4 million in 2005. The increase is due to the sale of natural gas processing units in the Untied States and the addition of tubular management divisions and a plastic pipe product manufacturer as a result of the Transco acquisition on December 1, 2006. A full year of revenue for the 2006 and 2005 fiscal years derived from the sale of natural gas processing equipment manufactured in the United States is included in this operating segment as this division was owned by the Company throughout this period. As this division is currently capacity constrained, a facility expansion is underway in Casper, Wyoming and a third fabrication facility has been leased and commenced fabrication in Odessa, Texas, in January 2007 to add to the capacity of the existing Casper and Waller, Texas facilities. The Casper facility expansion is scheduled to be complete by the end of the second quarter of 2007. Only one month of revenue derived from the Transco acquisition on December 1, 2006 is included in this operating segment. Additional Transco revenue for the month of December 2006 is included in the Oilfield Transportation operating segment.

EBITDA

Tubular Management & Manufacturing's EBITDA increased by 109.6% to $17.0 million for the year ended December 31, 2006 from $8.1 million in 2005. The increase is a result of an increase in sales of natural gas processing equipment and the addition of one month of earnings from the Transco divisions added to this operating segment in December 2006.

Liquidity and Capital Resources

The Company's principal sources of capital are cash flows from operations and borrowings under its senior credit facility. The Company's principal uses of cash are for the financing of working capital and capital expenditures. In 2006 the Company, through two primary share offerings raised $242.2 million of capital net of share issuance costs. Major uses of the capital raised, was the funding of two acquisitions during the year: Denmar on July 4, 2006 and Transco on December 1, 2006. The Company's credit agreement was also amended and restated prior to the Transco acquisition to fund this transaction, replacing existing Transco debt with the Company's syndicated lending facilities, and provide increased capacity for working capital and capital spending requirements.

Selected Cash Flow and Capitalization Data

($ millions, except ratios)	**2006**	2005	2004
Funds provided by operations before changes in non-cash working capital	**$94.0**	$78.2	$47.2
Cash provided (used) by operating activities	**24.2**	45.4	(20.7)
Gross proceeds from primary share offerings	**253.7**	–	–
Proceeds from long-term debt	**399.7**	71.1	179.5
Long-term debt, at end of year (including current portion)	**379.1**	216.9	223.3
Ratios[1]			
Debt to total capitalization (%)[2]	**32.8**	37.9	42.5
Cash flow to interest bearing debt (%)[3]	**24.8**	36.1	21.1

1 Ratios contained in this table do not have any standard meaning under GAAP and may not be comparable to similar statistics published by other companies. The ratios are presented since they are commonly referred to by lenders and other interested parties in evaluating the Company's financial position.

2 Debt to total capitalization, expressed as a percentage, is equal to debt divided by total capitalization. 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.

3 Cash flow to interest bearing debt, expressed as a percentage, is equal to cash flow divided by interest bearing debt. 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.

Cash Flow and Liquidity

Funds provided by operations before changes in non-cash working capital for the year ended December 31, 2006 increased by $15.8 million to $94.0 million compared to $78.2 million for the prior year. The increase primarily resulted from higher net earnings in 2006 as compared to the prior year. Cash provided by operating activities for the year ended December 31, 2006 decreased by $21.2 million to $24.2 million compared to $45.4 million for the prior year. The decrease is due to an increase in non-cash working capital needed to support the higher activity levels of the Company and partially due to a system upgrade that reduced the availability of the Company's enterprise reporting and planning ("ERP") system creating a backlog of invoicing.

At December 31, 2006, the Company's net working capital position was $316.3 million compared to $212.7 million at December 31, 2005. The primary increase in net working capital was due to an increase in unbilled revenue in both the Production Services and Facility Infrastructure operating segments driven by higher activity levels and the additional working capital added as a result of the Transco acquisition on December 1, 2006. The Company also upgraded its main enterprise resource planning software to a more contemporary version in the latter part of the fourth quarter. The upgrade had an indirect impact on creating a backlog of invoicing as the system was not available for periods when billing activity normally occurred.

The Company increased its long-term debt position (including current portion) by $162.2 million as at December 31, 2006 as compared to the balance at December 31, 2005 due primarily to the replacing of Transco's former debt with new facilities, upon closing of the Transco acquisition on December 1, 2006. Also a portion of the cash component required to purchase all the outstanding shares of Transco was funded using debt facilities. The Company amended and restated its credit agreement on November 27, 2006 to facilitate the Transco acquisition, increasing its operating line facilities availability by $60.0 million and net term facilities by $70.0 million Canadian and $40.3 million USD. The acquisition of Denmar on July 4, 2006 also resulted in an increase in long-term debt as a mortgage facility and some capital leases were assumed.

In 2006, the Company incurred net capital expenditures totaling $53.0 million, to expand its fleet and facilities and replace aging equipment, compared to $31.4 million in 2005. Included in net capital expenditures in 2006 were $7.4 million of proceeds on disposal of property, plant and equipment compared to $6.2 million of proceeds in 2005. Property, plant and equipment of $18.0 million was added through the Denmar and 3-W Contractors acquisitions in July 2006 and $209.4 million was added through the Transco acquisition on December 1, 2006.

Capital Requirements and Capitalization

At December 31, 2006 the Company had obligations to repay within one year $12.0 million (2005 - $5.4 million) of long-term debt and fulfill $32.7 million (2005 - $18.0 million) of minimum operating lease payments for vehicles, office equipment, premises and construction equipment required for short durations of time. The Company projects capital expenditures in 2007 to be in excess of $65 million net of proceeds from the sale of equipment being replaced by newer equipment. Capital expenditures are necessary to replace construction equipment, heavy trucks and vehicles as they near the end of their useful lives 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 obligations to incur them.

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

Contractual Obligations

($ millions)

			Maturity		
	Less than 1 year	2 – 3 years	4 – 5 years	In excess of 5 years	Total
Long-term debt	$ 12.0	$ 129.9	$ 152.8	$ 84.4	$ 379.1
Operating leases	32.7	43.9	15.9	–	92.5
Total contractual obligations	$ 44.7	$ 173.8	$ 168.7	$ 84.4	$ 471.6

The Company amended and restated its credit agreement on November 27, 2006 to facilitate the Transco acquisition, increasing its operating line facilities availability by $60.0 million and net term facilities by $70.0 million Canadian and $40.3 million USD. The Company has a $225.3 million Canadian ($115.0 million – 2005) and an $18.0 million USD ($10.0 million USD – 2005) revolving operating loan facility, which is included in long-term debt, as the facility matures on November 30, 2009. At December 31, 2006, the Company's debt position, including the current portion of long-term debt drawn against the credit facility, totaled $350.8 million compared to $207.5 million at the end of 2005.

In 2007, operating cash flows are expected to be the major source of funds from which the Company's debt repayment obligations, operating lease payment obligations and capital expenditure program will be funded.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2006, 47,168,794 common shares were outstanding compared to 33,734,852 as at December 31, 2005. 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. At December 31, 2006, 2,146,114 options were outstanding. On October 11, 2006 the Company announced a two-for-one stock split of the outstanding common shares of the Company. The common shares began trading on a split basis on the Toronto Stock Exchange on December 13, 2006, being the second trading day preceding the record date of December 15, 2006. The numbers of authorized but unissued shares of the Company's common stock were not changed as a result of the stock split.

Accounting Policies

The Company applies numerous accounting policies in preparing the Consolidated Financial Statements. From time to time, the Company may either revise its existing accounting polices or adopt new ones as a result of changes to how the Company conducts its business or due to either new or amended accounting standards as required by the Canadian Institute of Chartered Accountants ("CICA").

Variable Interest Entities

Accounting guideline AcG-15, Consolidation of Variable Interest Entities, has been reviewed and determined to have no material impact on the Company's consolidated financial statements. AcG-15 became effective on January 1, 2005.

Recent Accounting Pronouncements

In January 2005, the CICA issued new accounting standards; Handbook Section 1530 "Comprehensive Income" and Handbook Section 3251 "Equity" for the reporting and disclosure of comprehensive income. Unrealized gains and losses on financial assets that will be held as available for sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, and changes in the fair value of cash flow hedging instruments, will be recorded in a Consolidated Statement of Other Comprehensive Income until recognized in the consolidated statements of earnings. These standards are effective for the Company as of January 1, 2007. The Company is in the process of evaluating the impact of these standards and has not determined whether the standards will have a material impact on its consolidated financial statements.

In January 2005, the CICA issued new accounting standards; Handbook Section 3855 "Financial Instruments – Recognition and Measurement" and Handbook Section 3861 "Financial Instruments – Disclosure and Presentation". Under the new standards, all financial instruments will be classified as one of the following: held-to-maturity, loans and receivables, held for trading and available for sale. Financial assets and liabilities held for trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading will be measured at amortized cost. Available for sale instruments will be measured at fair value with gains and losses recognized in other comprehensive income. These standards are effective for the Company as of January 1, 2007. The Company is in the process of evaluating the impact of these standards and has not determined whether the standards will have a material impact on its consolidated financial statements.

Critical 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 critical in that 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.

Amortization of Property, Plant and Equipment

The Company's Production Services and Oilfield Transportation 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 a provision for doubtful accounts is established based upon specific situations. The Company's experience with respect to the incurrence of bad debt losses has been within expectations and has 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.

Goodwill Impairment

A judgmental aspect of accounting for goodwill involves determining whether an impairment of the goodwill exists. This assessment is critical due to the potential impact on earnings if an impairment of goodwill exists. GAAP requires that a charge to earnings be recorded when the implied fair value of goodwill is less than its carrying amount.

Judgment is applied in estimating the future operating cash flows of the associated reporting unit. Factors that influence these cash flow estimates include industry related long-term forecasts and trends, general long-term economic forecasts, known and anticipated future oil and natural gas related construction projects, and historical results of the reporting unit. As required by accounting standards, the Company tests goodwill for impairment at least annually.

Revenue Recognition

The Company's Production Services and Facility Infrastructure operating segments perform the majority of its projects under the following types of contracts: time-and-materials; cost-plus-fixed-fee; unit-price; and fixed price or lump sum. For all of these contract types revenue is recognized using the percentage-of-completion method, measured by the percentage that incurred costs and units produced to date bear to total expected costs and units to be produced. Contract costs include all direct materials and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, and repair costs. General and administrative costs are charged to expense 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 determined. Claims for additional contract compensation are only reflected in revenue to the extent that realization is probable and can be reliably estimated. The Company's Oilfield Transportation and Tubular Management & Manufacturing operating segments recognize revenue and related expenses when services are rendered, goods are delivered or ownership transferred and collection is reasonably assured.

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 Transportation operating segments compared to the Production Services operating segment and most divisions within the Tubular Management & Manufacturing 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 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. The price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and national and regional economic conditions are factors which the Company has little or no control over.

Foreign Currency

The Company minimizes its exposure to unrealized translation gains and losses on U.S. denominated monetary items related to the translation of its net United States investment by financing the investment with U.S. dollar denominated debt. The Company does not manage the exposure to fluctuations in the U.S. 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.

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 behavior-based safety program, which uses positive reinforcement to change unsafe behaviors 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.

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 59.9% of the Company's revenue for the year ended December 31, 2006 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 Transportation operating 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 of the Company's operating segments 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. 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.

Controls and Procedures

Disclosure Controls and Procedures

An evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted as of December 31, 2006, 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 the Company's disclosure controls and procedures, as defined in Canada by Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared.

Internal Control 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 design of the Company's ICFR as of December 31, 2006, 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 exceptions:

- The Company is in the process of evaluating the existing controls of Transco, which was acquired on December 1, 2006, but has not had sufficient time to fully identify any weaknesses in internal controls that the newly acquired business may have. The integration of Transco within the Company's disclosure and financial reporting systems and processes will include the conversion of numerous Transco reporting systems to Flint's existing ERP system. A complete integration and transition plan is under development and will be implemented in a manner that minimizes disruption to operations.

- The Company currently uses a number of end user computing ("EUC") spreadsheets to collect and tabulate financial figures including the determination of revenue figures in the Facility Infrastructure operating segment. Further, the associated controls around revenue and cost

capture, and related job costing for the same business segment, requires further enhancement. This control weakness creates a risk related to the accuracy of the revenue and cost figures related to this specific operating segment. Management has been actively working on improving the internal controls within this operating segment, however, the control enhancements have not been fully implemented as of December 31, 2006. Overall, the longer-term strategy for the Company is to minimize the use of EUC spreadsheets, and rely on the ERP system to perform significant computations. In the interim, an Access database, with significantly improved controls, is being implemented to capture revenue and cost related transactions for this operating segment. For December 31, 2006 figures, several levels of Infrastructure operating unit as well as the senior management of the Company have reviewed the revenue and cost figures of this segment in order to compensate for the existing weakness in the control structure.

Changes in Internal Control over Financial Reporting

Other than the continuing impact of the corrective actions discussed above, there were no changes in the Company's ICFR within Q4 2006 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Limitations on the Effectiveness of Disclosure Controls and Procedures, and Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, do not expect that the Company's disclosure controls and procedures and ICFR will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Legal Proceedings

On August 7, 2006, Flint Energy Services Inc., pled guilty to a single charge of violating the Sherman Antitrust Act, as a result of the improper activity of its Farmington, New Mexico field office with regard to four contracts involving BP. The Company has paid a fine of $150,000 USD and has made full restitution to BP. The matter involving the Company was finally concluded on October 30, 2006.

The Company is committed to strict compliance with antitrust and other laws applicable to it in all jurisdictions in which it operates. The Company took immediate positive steps to implement an enhanced compliance and ethics program in order to better educate its employees on antitrust laws and to strengthen internal procedures designed to prevent and detect non-compliance.

Outlook

Both the addition of the Transco operations on December 1, 2006 and a full year effect of the Denmar acquisition made on July 4, 2006 will contribute to expected higher year-over-year revenue in 2007. Management will be focused in 2007 on integrating the Transco operations and taking advantage of the ability to incorporate the additional services that Transco offers into Flint's existing alliance relationships with customers and capitalizing on facility and operational synergies. While forecasts call for some pull back in Canadian drilling, the Company's objective will be to improve equipment and personnel utilization and maximize the integration of new business lines to maintain operating margins. The newly

acquired Oilfield Transportation operating segment is expected to see increases in revenue in some regions due to specific regional drilling programs for which the Company is strategically positioned to compete. In addition, revenue from the heavy haul division within this operating segment is driven by large construction projects and equipment moves rather than by drilling activities.

Although the Company projects a stabilization of revenue growth from the Production Services operating segment in 2007, risks to achieving continued growth are higher than in the last several years due to a less robust commodity market. Flint is in the fortunate position of having many alliance type arrangements with major energy producers that have longer-term development projects that continue through a commodity price cycle. Many analysts anticipate a return to a strong energy market in 2008 as they predict that the supply dynamics will return to a balanced position quickly due to the depletion rate inherit in natural gas wells. The Company's United States Production Services activities are expected to continue to grow based on customer demand in key strategic basins in which the Company participates.

While Flint has successfully built up a backlog of work in its oil sands construction business, it is likely that revenues in 2007 will be reduced in some quarters due to a shortage of customer internal and contracted engineering capabilities and the resulting delays in project start-ups. Flint anticipates commencing module fabrication on the previously announced Shell Albian Sands and the Suncor Firebag III projects in the latter part of the second quarter and first part of the third quarter of 2007 respectively. To date Flint has been involved in the planning and estimating on both projects on a cost plus reimbursement basis. Flint continues to be involved in the estimating and planning of other large oil sands operation, refining and upgrading projects which may have some positive impact on the Company's revenue in 2007, but more significant impact from these projects is expected in subsequent years.

Should the recently announced negotiations between a major oil sands producer and the Company's 50% owned subsidiary, FT Services, be successful, the Company will have a base to build an exciting new asset management service operating segment. Many additional opportunities to bid on similar asset management service contacts for oil sands and refining facilities are available for FT Services.

With the additions of Denmar and Transco and the early initial success of FT Services, the Company's growth should continue. The Company is confident it has positioned itself effectively to take advantage of spending trends in heavy oil development and natural gas exploration across North America.

Additional Information

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

March 13, 2007