FLINT ENERGY SERVICES LTD.
INTEGRATED. INTEGRAL.

FIRST QUARTER REPORT

For the three months ending March 31, 2006

Advisory Regarding Forward Looking Statements

This document contains forward-looking statements under the heading "Outlook" and elsewhere concerning the Company's projected operating results for 2006 and beyond, and anticipated capital expenditure trends and drilling activity in the oil and natural gas industry. Actual events or results may differ materially from those reflected in the Company's forward-looking statements due to a number of risks, uncertainties and other factors affecting the Company's business and the oil and natural gas industry generally. These factors, include, but are not limited to, fluctuations in oil and natural gas prices, fluctuations in the level of oil and natural 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, 2005 and other documents filed with Canadian provincial securities authorities and available to the public at www.sedar.com. 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.

Unless otherwise indicated, all financial information in this document is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's audited Consolidated Financial Statements and MD&A for the year ended December 31, 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Flint is a publicly traded company listed on the Toronto Stock Exchange under the symbol "FES". Flint provides a full range of integrated midstream services to oil and natural gas producers through 46 locations in Western Canada, and the Southern and Rocky Mountain regions of the United States. These services are offered through two operating segments: Production Services and Facility Infrastructure. Production Services provides smaller-inch oil and natural gas well tie-in 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. Facility Infrastructure provides large capital project planning, fabrication, assembly, modularization and field installation services.

Net earnings for the quarter ended March 31, 2006 were $18.8 million on revenue of $332.8 million compared to net earnings of $13.7 million on revenue of $253.5 million for the comparative quarter in 2005. Funds provided by operations before changes in non-cash working capital for the three-month period were $21.4 million compared to $21.3 million for the comparative period in 2005. Diluted earnings per share for the first quarter of 2006 increased to $1.09 from $0.82 per share for the comparative quarter in 2005.

The primary reason for the higher net earnings in the first quarter of 2006 as compared to the first quarter of 2005 is a $79.3 million or 31.3% increase in revenue. Revenue from the Facility Infrastructure business segment continued to increase in the first quarter of 2006 as compared to the first quarter of 2005 due to increased volume of activity on oilsands related contracts. Most of the first quarter revenue increase was driven from increases in the Company's Production Services business segment in both the Canadian and United States geographic segments. The Canadian Production Services business segment achieved higher revenues from increased demand from customers for which the Company has established preferred supplier contract arrangements. The United States Production Services business also experienced high customer demand, particularly from customers in South Western United States Regions as customers expedited projects to complete oil well tie ins and maintenance work to bring on or maintain their existing production.

Consolidated gross margin of 20.4% remained consistent with the prior year's first quarter 20.4% gross margin. The higher revenue produced an increase in gross profit of $16.2 million compared to the first quarter of 2005.

CONSOLIDATED FINANCIAL RESULTS

Summary of Consolidated Financial Results

	Three months ended March 31	
(in millions of Canadian dollars, except share data)	**2006**	2005
Revenue	**$ 332.8**	$ 253.5
EBITDA [1]	**40.8**	31.0
Net earnings	**18.8**	13.7
per common share – basic	**1.12**	0.82
per common share – diluted	**1.09**	0.82
Funds provided by operations before changes in non-cash working capital	**21.4**	21.3

	March 31	December 31
	2006	2005
Working capital	**$ 238.8**	$ 212.7
Total assets	**754.7**	734.5
Shareholders' equity	**377.1**	354.7

1 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.

Revenues

Revenues for the three-month period ended March 31, 2006 increased to $332.8 million from $253.5 million for the same period in the prior year. Of the $79.3 million increase in revenue, 26.9% or $21.3 million is due to the continued growth of the Company's Infrastructure business segment as the division continues to execute on oilsands related projects based on contacts secured in prior quarters. The remaining 73.1% or $58.0 million of revenue gain is primarily from the Company's Production Service business segment; approximately sixty percent from Canadian customers and forty percent from United States customers. The Production Services revenue increase in Canada was primarily due to an increase in well tie-in and small diameter pipeline installations for customers that the Company has established preferred supplier contracts; however, almost all of the division's service lines experienced increases in revenue as well. The Production Service revenue increase in the United States was also across all service lines as customers expedited projects to complete well tie-ins and maintenance work to bring on additional or maintain existing production.

Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA")

The $9.8 million or 31.6% year-over-year increase in first quarter EBITDA was primarily achieved as a result of the 31.3% increase in revenue, which produced a gross profit increase of $16.2 million or 31.4%. The gross margin percentage remained constant at 20.4% in the first quarter of 2006 as compared to the first quarter of 2005. The overall margin from the Production Services business segment improved due to increased utilization of equipment and labour.

General and administrative expenses as a percentage of revenue remained constant at 8.2% in the first quarter of 2006 as compared to the first quarter of 2005. While remaining constant on a percentage basis, total costs increased $6.4 million. Just over half of the increase in general and administrative expenses is due to increases in salaries, benefits and bonus costs required to manage the increase in Company activity and stay competitive in a tight labour market. Bonus compensation accruals have been increased as compared to the first quarter of 2005 to match the higher earnings achieved. In addition, the Company has incurred increases in relocation and recruiting costs to move employees to new locations or increase staff in both operating and administrative positions. Office and related costs increased due to the opening of new field offices in the latter periods in 2005 in Hobbs, New Mexico, Bridgeport and Cleburn, Texas, Strathmore, Alberta, and a Safety Services office in Ft. St. John, British Columbia. 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 as well as the lease of additional office space in Calgary, Alberta in the fourth quarter of 2005 to provide space for additional employees required to manage the increase in oilsands related projects. Legal representation fees related to a subpoena received in the first month of 2006 from the US Department of Justice, Antitrust Division totaled $0.9 million dollars in the first quarter of 2006.

Net Earnings

Net earnings for the quarter ended March 31, 2006 increased by 37.8% due primarily to the increase in EBITDA in the quarter.

Amortization expense for the three-month period ended March 31, 2006 increased by $0.6 million from the comparative period in 2005, as a result of increased amortization due to the acquisition of small tools and equipment that have shorter amortization lives and amortization of new equipment to replace equipment which was disposed in the prior year which were fully amortized.

Interest expense for the three-month period ended March 31, 2006 remained consistent with the comparative period in 2005 as debt levels have remained constant as most of the Company's debt is on fixed rate terms. Interest expenses did not decline despite a lower average use of the Company's revolving credit facility throughout the first quarter of 2006 as compared to the first quarter of 2005 due to an increase in prime interest rates on which the credit facility is based.

Income tax expense for the three-month period ended March 31, 2006 increased by $3.4 million and is reflective of the higher level of net earnings.

Comparative Quarterly Results

A number of factors contribute to variations in the Company's results between periods such as weather, customer capital spending 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 to avoid or minimize periods of relative inactivity due to project scheduling, fluctuations in the Canada United States exchange rate applicable to translating the revenue and expenses of the Company's United States operations to Canadian dollars, and changes with the Company's service offerings as it strives to find the optimum portfolio of services to meet customer needs.

	2006	2005				2004		
(in millions of Canadian dollars, except share data)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**$332.8**	$292.8	$247.5	$237.3	$253.5	$205.4	$187.8	$172.0
Net earnings (loss)	**18.8**	11.6	11.8	8.7	13.7	5.2	4.7	(1.6)
per common share-basic	**1.12**	0.69	0.70	0.52	0.82	0.31	0.29	(0.10)
per common share-diluted	**1.09**	0.68	0.69	0.52	0.82	0.31	0.29	(0.10)

Increases in revenue in the most recent quarters are primarily due to securing contracts related to oilsands development and from increased demand for the Company's services from customers who are developing natural gas reserves. The first quarter of 2006 was the highest revenue quarter since the Company became publicly traded. The $1.09 first quarter diluted earnings per share is also the highest quarterly earnings achieved by the Company. The loss incurred in the second quarter of 2004 was primarily a result of underperformance on certain mid-inch pipeline projects, and expensing of deferred finance charges upon the renegotiation of the Company's credit facilities.

RESULTS OF OPERATIONS

The Company operates under two operating segments, Production Services and Facility Infrastructure. Production Services offers smaller-inch pipeline tie-in for oil and gas wells, day-to-day field facility installation and maintenance services and Facility Infrastructure offers large capital project planning, fabrication, assembly, modularization and field installation services, and mid-inch pipeline installations.

Selected Segmented Information

	Three months ended March 31			
(in millions of Canadian dollars)	**2006**		2005	
Revenue by operating segment				
Production Services	**$199.1**	**59.8%**	$141.1	55.7%
Facility Infrastructure	**133.7**	**40.2**	112.4	44.3
Total	**$332.8**	**100.0%**	$253.5	100.0%
EBITDA by operating segment				
Production Services	**$27.7**	**67.9%**	$18.2	58.7%
Facility Infrastructure	**13.1**	**32.1**	12.8	41.3
Total	**$40.8**	**100.0%**	$31.0	100.0%

Production Services

Production Services realized a 41.1% increase in revenue for the quarter ended March 31, 2006 compared to the same period in the prior year. The Canadian Production Services business segment achieved higher revenue from increased demand from customers that have established preferred supplier contract arrangements with the Company. The United States Production Services business also experienced high customer demand, particularly from customers in South and East Texas as customers expedited projects to complete well tie-ins and maintenance work to bring additional or maintain existing production. The higher revenues in the first quarter of 2006 as compared to the first quarter of 2005 increased the first quarter EBITDA for the business segment by 52.2% or $9.5 million.

Facility Infrastructure

Facility Infrastructure realized a 19.0% increase in revenue for the quarter ended March 31, 2006 compared to the same period in the prior year as a result of continued execution of oilsands contacts secured in prior quarters. EBITDA for the operating segment increased by 2.3%.

CONSOLIDATED FINANCIAL POSITION

At March 31, 2006 the Company's net working capital position was $238.6 million compared to $212.7 million at December 31, 2005. The $40.0 million increase in revenues from the previous quarter increased the Company's unbilled revenue, which increased the net working capital balance.

Income taxes payable increased from $11.0 million at December 31, 2005 to $14.9 million at March 31, 2006. The December 31, 2005 income taxes payable balance was paid in the first quarter of 2006. The March 31, 2005 income taxes payable balance related to taxes due on the current quarter's earnings.

Long-term debt, including current portion, increased by $2.9 million at March 31, 2006 from the balance at the end of the prior fiscal year due to the increased utilization of the Company's credit facility to fund the increased activity at quarter end.

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 to purchase property, plant and equipment, fulfill lease payment obligations and finance working capital.

Selected Cash Flow and Capitalization Data

	Three Months Ended March 31	
(in millions of Canadian dollars)	**2006**	2005
Funds provided by operations before changes in non-cash working capital	**$ 21.4**	$ 21.3
Cash (used in) provided by operating activities	**(8.2)**	17.5
Cash flow to interest bearing debt (%) [1 & 2]	**38.9**	24.9

	March 31 2006	December 31 2005
Long-term debt (including current portion)	**$ 219.8**	$ 216.9
Debt to total capitalization (%) [1 & 3]	**36.8**	37.9

1 Ratios contained in this table do not have any standard meaning under generally accepted accounting principles 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 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 on an annualized basis. Interest bearing debt is equal to long-term debt including the current portion.

3 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.

Cash Flow and Liquidity

Funds provided by operations before changes in non-cash working capital for the first quarter of 2006 increased 0.6% compared to the same period in 2005 due to an increase in net income after tax. A movement of future taxes to current income taxes offset further gains in funds provided by operations before changes in non-cash working capital.

During the three-month period ended March 31, 2006 the Company incurred property, plant and equipment capital expenditures totaling $6.3 million primarily related to the replacement of vehicles and equipment in accordance with the Company's fleet replacement program designed to replace aging vehicles and equipment at optimum points in time in order to maximize the operating cost effectiveness of the overall fleet. During the same periods, the Company realized proceeds from the disposal of property, plant and equipment totaling $1.1 million related to the sale of retired vehicles and equipment.

During the three-month period ended March 31, 2006 the Company increased its long-term debt position (including current portion) by $2.9 million due to an increase utilization of the Company's credit facility to fund the increase in Company activity.

The Company completed on May 2, 2006, a primary and secondary share offering of 4.6 million common shares of the Company for gross aggregate proceeds of $266.8 million. The common share offering of the Company consists of a primary offering which raised $116.0 million gross proceeds and issued a total of 2.0 million common shares and a secondary offering of $150.8 million or 2.6 million common shares of the Company sold by a major shareholder. In addition on May 11, 2006, the underwriter exercised an over allotment option to purchase an additional 0.69 million common shares at $58.00 per common share, which increased the offering to gross aggregate proceeds of $306.82 million. The Company did not receive any proceeds from the sale of common shares by the major shareholder. The proceeds from the primary offering are to be used for facility expansion, to reduce or retire indebtedness outstanding under the operating component of the Company's credit facility and to use the increased availability of the operating credit facility to take advantage of acquisition opportunities that may arise and for general corporate purposes.

Debt Repayment Obligations

	Maturity				
(in millions of Canadian dollars)	Less than 1 year	2 - 3 years	4 - 5 years	In excess of 5 years	Total
	$ 5.0	$ 93.9	$ 20.6	$ 100.3	$ 219.8

LEGAL PROCEEDINGS

In January 2006, Flint Energy Services Inc., a wholly owned subsidiary with operations in Farmington, New Mexico, received a subpoena from the United States Department of Justice, Antitrust Division, requiring it to produce documents and other information in connection with an investigation of bidding practices in the Company's Farmington office with one customer.

The Company is cooperating fully in responding to the subpoena and the related investigation with the assistance of legal counsel. In addition, the Company conducted its own internal investigation of the matter, and has held discussions with the customer.

The Company is committed to strict compliance with antitrust and other laws applicable to it in all jurisdictions in which it operates. The Company has taken 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.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of Class A common voting shares and an unlimited number of redeemable convertible preferred shares. As at March 31, 2006, 16,924,927 Class A common voting shares were outstanding compared to 16,867,426 as at December 31, 2005. No Class B common voting shares or redeemable convertible 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.

OUTLOOK

In the near term activity levels related to the development of natural gas resources will continue to drive activity for Flint's Production Services segment and for the manufacturer of gas processing equipment in the United States Facility Infrastructure segment. Shop capacity is substantially committed for the balance of the year.

The Company continues to execute on oilsands related contracts and is currently in planning and negotiations with existing customers on additional developments that, if secured, will build backlog for future years. The Company has been successful in adding mid-sized oilsands projects in addition to the core Suncor, Opti and Nexen large contracts that represent the Facility Infrastructures business segment's current backlog of work. These additional mid-sized contracts will provide for better utilization of shop capacity later in the year.

We are looking forward to a strong remainder of 2006.

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)

As at	March 31, 2006	December 31, 2005
	(unaudited)	
ASSETS		
Current assets:		
Cash	**$ 1,133**	$ 10,474
Accounts receivable	**196,703**	205,305
Revenue in excess of billings	**143,105**	104,391
Inventories	**24,013**	22,797
Income taxes receivable	**188**	244
Future income tax assets	**3,972**	2,464
Prepaids and other current assets	**6,158**	7,433
	375,273	353,108
Property, plant and equipment	**178,344**	180,021
Goodwill	**198,288**	198,176
Intangible assets, net of accumulated amortization of $3,190 (2005 - $2,978)	**1,537**	1,749
Future income tax assets	**859**	818
Other assets	**590**	584
	$ 754,891	$ 734,456
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 107,338**	$ 114,985
Billings in excess of revenue	**6,920**	3,134
Income taxes payable	**14,939**	10,986
Future income tax liabilities	**2,487**	5,893
Current portion of long-term debt	**4,955**	5,408
	136,639	140,406
Long-term debt	**214,821**	211,471
Future income tax liabilities	**27,373**	27,875
	242,194	239,346
Shareholders' equity:		
Capital stock (note 2)	**204,948**	203,250
Contributed surplus	**5,816**	5,478
Retained earnings	**178,893**	160,062
Cumulative translation account	**(13,599)**	(14,086)
	376,058	354,704
Commitments and contingencies (Note 4)		
	$ 754,891	$ 734,456

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(unaudited) (in thousands of Canadian dollars, except share data)	**Three months ended March 31, 2006**	Three months ended March 31, 2005
Revenue	**$ 332,807**	$ 253,511
Direct costs	**264,816**	201,767
Gross profit	**67,991**	51,744
General and administrative expenses	**27,172**	20,739
Stock based compensation expense	**782**	201
Amortization	**7,513**	6,867
Earnings from operations	**32,524**	23,937
Interest	**3,659**	3,617
Earnings before income taxes	**28,865**	20,320
Income taxes:		
Current	**15,514**	6,010
Future (recovery)	**(5,480)**	649
	10,034	6,659
Net earnings	**18,831**	13,661
Retained earnings, beginning of period	**160,062**	114,318
Retained earnings, end of period	**$ 178,893**	$ 127,979
Earnings per share:		
Basic	**$ 1.12**	$ 0.82
Diluted	**$ 1.09**	$ 0.82
Weighted average common shares:		
Basic	**16,877,722**	16,621,907
Diluted	**17,264,034**	16,693,092

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands of Canadian dollars,)	**Three months ended March 31, 2006**	Three months ended March 31, 2005
Cash provided by (used in):		
Operating activities:		
Net earnings	**$ 18,831**	$ 13,661
Items not affecting cash:		
Amortization of property, plant and equipment	**7,301**	6,627
Amortization on intangible assets	**212**	240
Gain on disposal of property, plant and equipment	**(201)**	(68)
Stock based compensation expense	**782**	201
Future income taxes	**(5,480)**	649
Funds provided by operations before changes in non-cash working capital	**21,445**	21,310
Changes in non-cash balances relating to operations	**(29,671)**	(3,770)
	(8,226)	17,540
Investing activities:		
Purchase of property, plant and equipment	**(6,338)**	(7,281)
Proceeds from disposal of property, plant and equipment	**1,072**	448
	(5,266)	(6,833)
Financing activities:		
Proceeds from long-term debt	**41,026**	21,133
Repayments of long-term debt	**(38,129)**	(25,661)
Deferred financing costs	**–**	(31)
Proceeds from issue of capital stock	**1,254**	1,488
	4,151	(3,071)
(Decrease) increase in cash	**(9,341)**	7,636
Cash, beginning of period	**10,474**	3,223
Cash, end of period	**$ 1,133**	$ 10,859
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	**$ 3,649**	$ 3,617
Income taxes	**$ 11,519**	$ 1,285

See accompanying notes to interim consolidated financial statements.

SEGMENTED INFORMATION

OPERATING SEGMENTS

(unaudited)

(in thousands of Canadian dollars) **Three months ended March 31, 2006**	**Production Services**	**Facility Infrastructure**	**Total**
Revenue	**$ 199,112**	**$ 133,695**	**$ 332,807**
EBITDA [1]	**27,744**	**13,075**	**40,819**
Amortization			**7,513**
Earnings from operations			**32,524**
Capital expenditures	**5,304**	**1,034**	**6,338**
Goodwill	**145,209**	**53,079**	**198,288**
Total assets	**461,742**	**293,149**	**754,891**

(unaudited)

(in thousands of Canadian dollars) Three months ended March 31, 2005	Production Services	Facility Infrastructure	Total
Revenue	$ 141,075	$ 112,436	$ 253,511
EBITDA [1]	18,173	12,832	31,005
Amortization			6,867
Earnings from operations			23,937
Capital expenditures	4,928	2,353	7,281
Goodwill	145,337	53,252	198,589
Total assets	409,891	246,972	656,863

GEOGRAPHIC SEGMENTS

(unaudited)

(in thousands of Canadian dollars)

Three months ended March 31, 2006	Canada	United States	Total
Revenue	**$ 251,767**	**$ 81,040**	**$ 332,807**
Property, plant and equipment	**144,281**	**34,063**	**178,344**
Goodwill	**163,324**	**34,964**	**198,288**
Total assets	**606,105**	**148,786**	**754,891**

(unaudited)

(in thousands of Canadian dollars)

Three months ended March 31, 2005	Canada	United States	Total
Revenue	$ 196,587	$ 56,924	$ 253,511
Property, plant and equipment	140,512	30,827	171,339
Goodwill	162,904	35,685	198,589
Total assets	523,806	133,057	656,863

1 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.

(in thousands of Canadian dollars, except share data and stock option exercise prices)

1. BASIS OF PRESENTATION

These interim consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada. The interim consolidated financial statements include the accounts of Flint Energy Services Ltd. and all subsidiary companies. All subsidiary companies are wholly owned and all material intercompany accounts and transactions have been eliminated. The Company proportionately consolidates its interests in joint ventures. The interim consolidated financial statements follow the same significant accounting policies as described and used in the most recent annual report of the Company for the year ended December 31, 2005 and should be read in conjunction with that report.

The preparation of the interim consolidated financial 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 from those estimates and assumptions.

A number of factors contribute to variations in the Company's results between periods such as weather, customer capital spending 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 project scheduling, fluctuations in the Canada U.S. exchange rate applicable to translating the revenue and expenses of the Company's U.S. operations to Canadian dollars, and changes with the Company's service offerings as it strives to find the optimum portfolio of services to meet customer needs.

2. CAPITAL STOCK

a) Issued capital stock

	Common Shares Class A Shares	Amount
Balances at December 31, 2005	16,867,426	$ 203,250
Shares issued for cash in conjunction with:		
Exercised employee stock options	57,501	1,254
Transfer from contributed surplus for stock options exercised	–	444
Balances at March 31, 2006	16,924,927	$ 204,948

b) The Company has an incentive stock option plan for certain employees, officers and directors. Options issued under the plan may be exercised at a rate of 1/3 on the three subsequent award date anniversaries. Options granted pursuant to the plan may be exercised over specified periods not to exceed 5 years from the date granted. At March 31, 2006, 65,914 common shares remained reserved for issuance under the option plan.

	Shares	Weighted Average Exercise Price
Options		
Outstanding at December 31, 2005	811,402	$ 23.40
Granted	524,500	48.50
Cancelled	–	–
Exercised	(57,501)	21.81
Outstanding at March 31, 2006	1,278,401	$ 33.77
Options exercisable at March 31, 2006	536,239	$ 22.70

3. EARNINGS PER SHARE

Included in the diluted number of common shares are 386,312 stock options at March 31, 2006 (71,185 at March 31, 2005).

4. COMMITMENTS AND CONTINGENCIES

At March 31, 2006, the Company was involved in various legal claims related to the normal course of operations. Management believes that it has adequately provided for these legal claims.

In January 2006, Flint Energy Services Inc., a wholly owned subsidiary with operations in Farmington, New Mexico, received a subpoena from the United States Department of Justice, Antitrust Division, requiring it to produce documents and other information in connection with an investigation of bidding practices in the Company's Farmington office with one customer.

The Company is cooperating fully in responding to the subpoena and the related investigation with the assistance of legal counsel. In addition, the Company conducted its own internal investigation of the matter, and has held discussions with the customer.

The Company is committed to strict compliance with antitrust and other laws applicable to it in all jurisdictions in which it operates. The Company has taken 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.

5. SUBSEQUENT EVENTS

The Company completed on May 2, 2006, a primary and secondary share offering of 4.6 million common shares of the Company for gross aggregate proceeds of $266.8 million. The common share offering of the Company consists of a primary offering which raised $116.0 million gross proceeds and issued a total of 2.0 million common shares and a secondary offering of $150.8 million or 2.6 million common shares of the Company sold by a major shareholder. In addition on May 11, 2006, the underwriter exercised an over allotment option to purchase an additional 0.69 million common shares at $58.00 per common share, which increased the offering to gross aggregate proceeds of $306.82 million. The Company did not receive any proceeds from the sale of common shares by the major shareholder. The proceeds from the primary offering are to be used for facility expansion, to reduce or retire indebtedness outstanding under the operating component of the Company's credit facility and to use the increased availability of the operating credit facility to take advantage of acquisition opportunities that may arise and for general corporate purposes.

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

Brian Butlin
Vice Chairman of the Board
Flint Energy Services Ltd.
Edmonton, Alberta

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