



Second Quarter Report
For the six months ending June 30, 2007

Advisory Regarding Forward-Looking Statements

This document 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 the Company's Annual Information Form for the year ended December 31, 2006 and other documents filed with Canadian provincial securities authorities. These documents are 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 document are expressly qualified by this statement.

Unless otherwise indicated, all financial information in this document is presented in Canadian dollars and in accordance with the Canadian Generally Accepted Accounting Principles ("GAAP").

The following Management's Discussion and Analysis ("MD&A"), prepared as at August 8, 2007, should be read in conjunction with the Company's audited Consolidated Financial Statements and MD&A for the year ended December 31, 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net earnings for Flint Energy Services Ltd. ("Flint" or the "Company") for the quarter ended June 30, 2007 were \$6.3 million on revenues of \$421.8 million compared to net earnings of \$6.0 million on revenues of \$354.7 million for the same quarter in 2006. Funds provided by operations before changes in non-cash working capital for the three-month period were \$28.3 million compared to \$15.5 million for the comparative period. Diluted earnings per share for the second quarter of 2007 were \$0.13 compared to \$0.16 for the second quarter in 2006.

Highlights

Revenue increased by \$67.1 million or 18.9%, as a result of growth in the Production Services Division and from operations acquired during 2006. The Oilfield Transportation and the Canadian portion of the Tubular Management and Manufacturing operating segments were acquired on December 1, 2006. During the second quarter of 2007, these two groups contributed \$20.3 million and \$16.5 million in revenue respectively. Transportation revenue was significantly below expectations due to demand for its services being closely tied to oil field drilling activity. Production Services increased revenue by \$42.0 million partially due to growth in the United States operating centers. Facility Infrastructure revenue decreased by \$23.8 million quarter over quarter due to the ramping down of activity levels as some oil sands projects near completion, while new projects are not commencing until later in the year. Demand for engineering on major oil sands projects has resulted in the delays in

receiving specifications to commence the construction of modules. Included in the Tubular Management and Manufacturing segment is the Company's United States manufacturing subsidiary, J.W. Williams. This division had record revenue this quarter as recent increases to capacity, specifically the opening of the Odessa, Texas facility, allowed for greater production of equipment and shipments to customers.

Consolidated gross margin in the second quarter of 2007 was 17.5% compared to 20.9% in 2006. The decrease is primarily due to the Oilfield Transportation operating segment, which incurred operating losses in the quarter due to a sharp decline in drilling activity in Canada. This significant under-utilization of transportation equipment during the quarter impacted the Company's overall margin by 3.0%. The Company continued to incur operating costs during this period as the Company retained staff and increased its repair and maintenance activities to catch up on work not possible when the equipment was being fully utilized. The lower gross margin percentage offset the benefit of the increased revenue in the quarter and therefore gross profit in the quarter was down at \$73.9 million as compared to \$74.4 million in the second quarter of 2006.

Revenue in Flint's Plant Maintenance and Asset Management operating segment is derived from a 50% owned subsidiary, Flint Transfield Services Ltd. ("FT Services"). FT Services' revenue of \$2.3 million in the quarter remains small as the initial secured contracts with Suncor will result in increased activity during the third and fourth quarters of 2007. FT Services is currently involved in the transition phase with the client to ensure a smooth transition from prior suppliers. Cost recoveries comprise the only revenue earned by this operating segment during the quarter. Contract transition to FT Services will result in over 1,500 people being added to this group by the end of the year.

Consolidated Financial Results

Summary of Consolidated Financial Results

<i>(in millions of Canadian dollars, except share data)</i>	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Revenue	\$ 421.8	\$ 354.7	\$ 924.5	\$ 687.5
EBITDA ¹	35.5	46.0	95.1	86.8
Net earnings	6.3	6.0	28.5	24.9
per common share – basic	0.13	0.16	0.60	0.71
per common share – diluted	0.13	0.16	0.59	0.69
Funds provided by operations before changes in non-cash working capital	28.3	15.5	54.4	37.0

	June 30 2007	December 31 2006
Working capital	\$ 352.6	\$ 301.1
Total assets	1,486.4	1,471.3
Shareholders' equity	805.3	777.2

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 and six-month periods ended June 30, 2007 increased to \$421.8 million and \$924.5 million respectively from \$354.7 million and \$687.5 million for the same periods in the prior year. Of the \$67.1 million quarterly increase in revenue, 55.1% or \$37.0 million is due to the addition of the Oilfield Transportation and the Canadian portion of the Tubular Management and Manufacturing operating segments acquired in December 2006. These same operating segments contributed 53.7% or \$127.4 million of the \$237.0 million year-to-date increase in revenue. The Production Services operating segment increased revenue by \$42.0 million in the quarter and \$95.2 million year-to-date compared to the same periods in 2006 as activity levels increased in Texas, the Rocky Mountain regions of the United States and in Northeast and Southern Alberta operating centers. These increases were partially offset by decreases in revenue in the Northern and Central Alberta regions as an early spring breakup was extended due to poor weather and a curtailment of customer activity. The Facility Infrastructure operating segment's revenue decreased by \$23.8 million for the quarter and by \$9.4 million for the year-to-date as compared to the same periods in 2006. This was due to the ramping down of activity levels in the second quarter of 2007 on some oil sands projects as they near

substantial completion, while experiencing project delays on commencement of new contracts. The Company's United States manufacturing company, J.W. Williams, experienced record quarterly revenue in both the first two quarters of 2007 as recent increases to capacity, specifically the opening of the Odessa, Texas facility, allowed for greater production of equipment and shipments to customers.

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

<i>(in thousands of Canadian dollars)</i>	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Earnings before income taxes	\$ 9,037	\$ 32,348	\$ 42,922	\$ 61,213
Interest expense, net of income	7,626	6,000	14,430	9,725
Stock based compensation	1,340	928	2,486	1,710
Amortization	17,531	6,728	35,305	14,175
EBITDA¹	\$ 35,534	\$ 46,004	\$ 95,143	\$ 86,823

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.

The \$10.5 million or 22.8% second quarter decrease in EBITDA as compared to the second quarter of 2006 is primarily due to the Oilfield Transportation operating segment incurring an EBITDA loss during the period from low revenues as a result of a sharp decline in drilling activity and the continued incurrence of operating overhead and integration costs. The Production Services' second quarter 2007 EBITDA was impacted by a \$0.4 million operating loss on a project in the United States, increased costs due to weather related issues, and higher equipment costs and reliance on leased equipment to support the revenue growth. Also contributing to the lower EBITDA is the lower revenue in the Facility Infrastructure operating segment and a decline in EBITDA margin from 13.4% in 2006 to 10.1% in 2007. The combination of lower customer activity levels in some of the Company's business lines and geographic areas, higher equipment and weather related costs, and the need to maintain personnel to position for future work under contract resulted in a decrease in the EBITDA margin percentage to 8.4% in the second quarter of 2007 from 12.9% in the second quarter of 2006.

Year-to-date, EBITDA is \$8.3 million or 9.5% higher than the same period in 2006 as the first quarter Oilfield Transportation operating activity was not as severely impacted by reduced drilling activity. Prior to spring breakup the first quarter EBITDA for Oilfield Transportation was positive and was only partially offset by the loss incurred in the second quarter. The 2007 year-to-date gross margin percentage for the Production Services operating segment was lower than the prior year due primarily to cost increases that were not fully passed on to customers during the first quarter of 2007 in the United States, as well as lower utilization, in some areas, of the Company's expanded workforce in Canada. The Facility Infrastructure operating segment also had a year-to-date lower average gross margin due to the realizable margin on the Long Lake project and the need to maintain personnel to position for future work under contract.

General and administrative expenses as a percentage of revenue increased to 9.0% and 9.2% for the respective three-month and six-month periods ending June 30, 2007 from the 8.0% and 8.1% respective figures achieved in the same periods in 2006. The increase in general and administrative expenses both in terms of dollars and in percentage of revenue is primarily due to the addition of the Oilfield Transportation and Canadian Tubular Management and Manufacturing operating segments. These business units have had historically higher general and administrative expenses than Flint's other business units. Other factors affecting the 2007 quarter and year-to-date general and administrative costs are the integration of the recent Transco acquisition, additional office space acquired to meet Facility Infrastructure requirements, and the Company's proportional share of FT Services' start up costs.

Net Earnings

Net earnings for the second quarter of 2007 increased marginally by \$0.3 million to \$6.3 million. Earnings in the second quarter of 2006, however, included income tax expense of \$15.5 million from Quebec assessed tax related to a trust structure implemented by the Company in 2002. The reassessments from Quebec were for the years 2002 to 2005. Excluding the Quebec tax reassessments and assessed interest of \$3.3 million, the second quarter net income for 2006 would have been \$18.8 million higher than the current quarter. Lower gross margins in 2007 and higher general and administrative costs as described above, combined with losses in the Transportation division and increased amortization and interest expense were the primary causes of the change.

Amortization of property, plant and equipment and intangible assets for the three-month period ended June 30, 2007 increased by \$8.3 million and \$2.5 million respectively primarily due to the addition of tangible and intangible assets made through business acquisitions completed in the second half of 2006.

Interest expense in the second quarter of 2006 included \$3.3 million of interest assessed by Quebec on a Quebec Trust which forms part of the Company's corporate structure. The assessed interest was recorded upon receipt of reassessments. The Company continues to accrue interest on the reassessments as Notice of Objections have been filed and no payments have been made. The amount of interest accrued on the reassessments in the second quarter of 2007 is \$0.5 million. Interest expense for the three-month period ended June 30, 2007 increased by \$1.3 million from the three-month period ended June 30, 2006; however if the impact of interest from the 2006 Quebec tax reassessments is excluded, the increase is \$4.1 million. The increase in interest expense is due to the increased use of term and operating line facilities to finance a portion of the acquisition costs for Transco and Denmar Energy Services Ltd ("Denmar") during 2006 and to fund an increase in working capital. Interest income declined by \$0.4 million as the Company's surplus cash position throughout the second quarter of 2007 was lower than the corresponding period in 2006.

Income tax expense in the second quarter of 2006 included \$15.5 million of retroactive tax assessed by Quebec. The decrease in income tax expense for the three-month period ended June 30, 2007 is primarily due to no similar tax being assessed in 2007 and due to lower earnings before tax in the second quarter of 2007 as compared to the second quarter of 2006.

Comparative Quarterly Results

A number of factors contribute to variations in the Company's results between periods. These factors include weather; customer capital spending, including drilling programs affected by oil and natural gas commodity prices; seasonal behavior in customer spending; the Company's ability to manage its project related business to minimize periods of relative inactivity; and changes and additions within the Company's service offerings.

Certain Company business lines relate to the maintenance and operation of oilfield facilities, which produce generally consistent revenues; however, other business lines relate to large projects with less linear 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 and provided on an "as needed" basis and, therefore, does not always generate a consistent revenue stream between periods. On December 1, 2006, Flint added transportation and tubular management services to the Company's business lines. The primary business drivers of these services are related to the drilling cycle in the Western Canadian Sedimentary Basin. Certain segments of these new services, such as the specialized heavy haul division, have specific business drivers related to movement of large pieces of equipment and module components. Customer capital expenditure programs related to large oil sands projects have a significant effect on the results of the Facility Infrastructure operating segment by impacting activity levels. Margin as a percentage of revenue can also fluctuate based on the contractual terms of major projects and its 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.

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 expenditures of its United States operations to Canadian dollars.

Quarterly Information

(in millions of Canadian dollars,
except share data)

	2007			2006			2005	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$421.8	\$502.7	\$426.6	\$341.5	\$354.7	\$332.8	\$292.8	\$247.5
Net earnings (loss)	6.3	22.2	16.9	12.9	6.0	18.8	11.6	11.8
per common share – basic	0.13	0.47	0.39	0.33	0.16	0.56	0.34	0.35
per common share – diluted	0.13	0.46	0.39	0.33	0.16	0.55	0.34	0.35

Increases in revenue in the most recent three quarters are primarily due to securing contracts related to oil sands development and from increased demand for the Company's services from customers 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. Only one month of revenue from the Oilfield Transportation and Canadian Tubular Management and Manufacturing operating segments was added to the 2006 fourth quarter revenue. A full quarter of revenue earned from the addition of these business lines is included in the first and second quarter of 2007. Second quarter 2006 net earnings were negatively impacted

by the recording of \$18.8 million in taxes and interest related to retroactive Quebec tax legislation. Second quarter 2007 net earnings were negatively impacted from a sharp decline in drilling activities in Canada, resulting in insufficient revenue to offset operating and general and administrative costs in the Oilfield Transportation operating segment. The last four quarters for the Company have been the highest revenues on a quarterly basis since the Company became publicly traded, with the first quarter of 2007 being the highest revenue quarter.

Results of Operations

The Company operates under five operating segments: Production Services, Facility Infrastructure, Oilfield Transportation, Tubular Management and Manufacturing, and Plant Maintenance and Asset Management. The Production Services operating segment provides pipeline work, day-to-day field facility installation and maintenance services, electrical, instrumentation, mechanical, safety, pressure and vacuum, fluid hauling and plant shutdown and turnaround services. The Facility Infrastructure operating segment provides major facility project construction 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. The Oilfield Transportation operating segment includes activities such as specialized heavy and oversized hauling, drilling rig moving, service rig moving and light hauling. The Tubular Management and 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 Plant Maintenance and Asset Management operating segment includes maintenance on large oil sands facilities and refineries.

Selected Segmented Information

<i>(in millions of Canadian dollars)</i>	Three months ended June 30				Six months ended June 30			
	2007		2006		2007		2006	
Revenue by operating segment								
Production Services	\$ 255.9	60.7 %	\$ 213.9	60.3 %	\$ 530.3	57.4 %	\$ 435.0	63.3 %
Facility Infrastructure	95.1	22.5	118.9	33.5	200.9	21.7	210.3	30.6
Oilfield Transportation	20.3	4.8	–	–	86.9	9.4	–	–
Tubular Management and Manufacturing	48.1	11.4	21.9	6.2	103.1	11.1	42.2	6.1
Plant Maintenance and Asset Management	2.4	0.6	–	–	3.3	0.4	–	–
Total	\$ 421.8	100.0 %	\$ 354.7	100.0 %	\$ 924.5	100.0 %	\$ 687.5	100.0 %
EBITDA¹ by operating segment								
Production Services	\$ 26.3	74.1 %	\$ 26.6	57.8 %	\$ 54.0	56.8 %	\$ 56.8	65.4 %
Facility Infrastructure	9.6	27.0	15.9	34.6	16.2	17.0	23.4	27.0
Oilfield Transportation	(8.0)	(22.5)	–	–	6.9	7.3	–	–
Tubular Management and Manufacturing	7.8	22.0	3.5	7.6	18.2	19.1	6.6	7.6
Plant Maintenance and Asset Management	(0.2)	(0.6)	–	–	(0.2)	(0.2)	–	–
Total	\$ 35.5	100.0 %	\$ 46.0	100.0 %	\$ 95.1	100.0 %	\$ 86.8	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

Production Services revenues for the three-month and six-month periods ended June 30, 2007 increased by 19.6% and 21.8% to \$255.9 million and \$530.2 million respectively as compared to the same periods in 2006. The second quarter and year-to-date increases are primarily driven from activity levels in Texas and the Rocky Mountain regions of the United States and in Northeast and Southern Alberta operating centers. In addition the first and second quarters of 2006 did not include the operations of Denmark, which was acquired on July 4, 2006. The Denmark acquisition increased the Company's activity in the Northeast region of Alberta. These increases were partially offset by decreases in revenue in the Northwest and Central Alberta regions as lower activity levels due to an early spring breakup was extended due to poor weather and a curtailment of customer activity in these areas.

Although the Production Services operating segment revenues increased, EBITDA for this segment decreased by \$0.3 million and \$2.8 million in the three-month and six-month periods respectively. In 2007 a combination of factors resulted in a reduced EBITDA percentage in the second quarter and year-to date; including a loss on a large project in the United States operations in the second quarter of 2007, attributed to a loss of continuity of staff on the project, a higher reliance on leased versus owned equipment in the United States needed to meet higher activity levels, and increased costs due to second quarter wet weather conditions in many geographic locations. The lower year-to-date EBITDA is also due to first quarter cost increases in the United States that could not be passed on to the customer and lower utilization of the Company's expanded workforce in Canada, particularly in the Northern and Central regions of Alberta where decreases in revenue for these regions could not be matched with a similar decrease in fixed operating and general administrative costs.

Facility Infrastructure

Facility Infrastructure revenue for the three-month and six-month periods ended June 30, 2007 decreased by 19.9% and 4.5% to \$95.1 million and \$200.9 million respectively. In the second quarter of 2007 current projects were manning down due to portions of these projects nearing completion. EBITDA for this operating segment is lower in the three-month and six-month periods ended June 30, 2007 as compared to the same periods in the prior year due to the lower revenue and gross margins pursuant to certain long term contracts. Also the Facility Infrastructure operating segment is expanding its construction management capacity to meet projected increases in work, which is resulting in an increase in operating and general and administration costs that will not be offset by earned revenues until contracts are finalized and job activity on these new projects commences.

Oilfield Transportation

Oilfield Transportation was added in December 2006. Revenue for this operating segment in the three-month and six-month periods ended June 30, 2007 was \$20.3 million and \$86.9 million respectively. Due to a reduction in drilling activity in Canada, an early spring break up and wet weather conditions in some geographic areas, revenues for this operating segment have been considerably lower this year compared to the predecessor company's previous year's revenue. The rig hauling operations in this segment were most directly impacted by the reduction in drilling activity in both of the quarters of this year, while the specialty heavy haul division was impacted more in the second quarter due to the spring break up and wet weather conditions. Operating staff in this operating segment remained on payroll during this slow period, in part to increase the level of repairs and maintenance on equipment, made possible with the equipment not being utilized on moves.

Tubular Management and Manufacturing

Tubular Management and Manufacturing revenue for the three-month and six-month periods ended June 30, 2007 increased by 119.9% and 144.0% to \$48.1 million and \$103.1 million respectively. EBITDA also increased by \$4.4 million and \$11.6 million to \$7.9 million and \$18.2 million for the same periods. The Canadian portion of the Tubular Management and Manufacturing segment was acquired in December 2006. The Tubular Management operations performed as expected in the first quarter of the year but were negatively impacted by reduced drilling activities in the second quarter of this year. The Canadian manufacturing division included in this operating segment, Global Poly Systems, had lower than expected margins due to higher input costs and poor operating performance in both the second quarter and year-to-date periods in 2007. The United States manufacturing division, J.W. Williams, continues to experience high demand for its products and achieved record sales and margins in both the first and second quarters this year.

Plant Maintenance and Asset Management

In 2007 the Company is reporting the proportional 50% share of the revenue and earnings from the operations of FT Services, which is in a startup phase. The \$1 billion, five year contract that FT Services has secured with Suncor is being transitioned with maintenance operations commencing in the latter part of the third quarter of 2007.

A small EBITDA loss has been incurred in the Plant Maintenance and Asset Management operating segment, representing start up costs for FT Services which cannot be recovered under the terms of the contract.

Consolidated Financial Position

As at June 30, 2007, the Company's net working capital position was \$352.6 million compared to \$301.1 million as at December 31, 2006. The \$67.1 million increase in revenues from the previous quarter increased the Company's accounts receivable and revenue in excess of billings accounts. Working capital decreased by \$27.3 million as compared to the previous quarter end due to a decrease in revenue quarter-over-quarter.

Income taxes payable decreased from \$30.3 million as at December 31, 2006 to \$30.2 million as at June 30, 2007. The June 30, 2007 income taxes payable balance relates to taxes due for the current year's earnings and \$20.6 million related to tax and interest reassessed by the Government of Quebec in 2006 as well as interest accrued on these reassessments. The Company filed a notice of objection in 2006 on these reassessments.

Long-term debt, including operating facilities, increased by \$21.1 million at June 30, 2007 from the balance at the end of the prior fiscal year due to the increased utilization of the Company's operating facilities to fund the increased activity during the first two quarters of 2007. From the previous quarter-end, long-term debt decreased by \$28.8 million due to a reduction in working capital from the previous quarter.

Liquidity and Capital Resources

The Company's principal sources of capital are cash flows from operations and borrowings under its long-term debt. The Company's principal uses of cash are for the financing of working capital and capital expenditures.

Selected Cash Flow and Capitalization Data

<i>(in millions of Canadian dollars)</i>	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Funds provided by operations before changes in non-cash working capital	\$ 28.3	\$ 15.5	\$ 54.9	\$ 37.0
Cash (used in) provided by operating activities	61.1	63.3	23.4	55.0
Cash flow to interest bearing debt (%) ^{1 & 2}	28.7	42.1	27.5	50.2
			June 30	December 31
			2007	2006
Long-term debt (including current portion)			\$ 400.2	\$ 379.1
Debt to total capitalization (%) ^{1 & 3}			33.2	32.8

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 second quarter of 2007 increased 81.9%, compared to the same period in 2006 despite the second quarter net earnings being lower than the prior year. Amortization, which is a non-cash item added back to net income to arrive at the funds provided by operations before changes in non-cash working capital, is higher in 2007 as compared to the prior year due to the addition of tangible and intangible assets purchased through business acquisitions in the latter half of 2006.

During the three-month period ended June 30, 2007, the Company incurred capital expenditures totaling \$23.4 million. Capital expenditures in the second quarter of 2007 included the continued expansion of a manufacturing facility in Casper, Wyoming, equipment purchased to replace older vehicles and equipment in the Production Services operating segment, and to expand capacity in the Oilfield Transportation heavy haul division. During the same period, the Company realized proceeds from the disposal of property, plant and equipment totaling \$3.2 million related to the sale of retired vehicles and equipment.

During the six-month period ended June 30, 2007, the Company increased its long-term debt position (including current portion) by \$21.1 million due to increased utilization of the Company's operating line to fund the increase in Company activity. On April 3, 2007, the Company increased its Canadian operating line availability from \$175.0 million to \$210.0 million through the partial exercise of an accordion feature included in the credit agreement which was amended on November 27, 2006. As at June 30, 2007, \$114.9 million of the Canadian operating line was utilized.

Debt Repayment Obligations

<i>(in millions of Canadian dollars)</i>	Maturity				Total
	Less than 1 year	2 – 3 years	4 – 5 years	In excess of 5 years	
	\$ 13.1	\$ 162.8	\$ 153.5	\$ 70.8	\$ 400.2

Changes in Accounting Policies

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement"; Section 3861, "Financial Instruments – Disclosure and Presentation", Section 1530, "Comprehensive Income" and Section 3865 "Hedges". Prior periods have not been restated as a result of implementing the new accounting standards, except as required by the new standards to classify unrealized foreign currency translation gains or losses on net investments in self-sustaining foreign operations in accumulated other comprehensive loss.

The adoption of these standards has had no material impact on the Company's net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 provides guidance on when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet of the Company and on what basis these assets, liabilities and derivatives should be valued. Under the new standard, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, and other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on its initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive earnings until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

With the adoption of these new standards, the Company has classified its cash and cash equivalents as held-for-trading, accounts receivable, revenue in excess of billings and certain other long-term assets classified as loans and receivables, accounts payable and accrued liabilities, long-term debt, capital lease obligations and certain other long-term liabilities as other financial liabilities.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as a part of the respective asset or liability's carrying value at inception. As such, deferred financing costs related to the issuance of long-term debt were previously presented as a separate asset on the consolidated balance sheet and are now included in the carrying value of long-term debt. This change in accounting policy resulted in a decrease in long-term debt and intangible assets and deferred charges of \$2.0 million at January 1, 2007. The costs capitalized within long-term debt are being amortized using the effective interest method, which is consistent with the amortization method utilized in prior periods.

The standard requires derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. The Company has reviewed all significant contractual arrangements and determined there are no material embedded derivatives that must be separated from the host contract and fair valued and there are no non-financial derivatives that need to be fair valued.

Financial Instruments – Disclosure and Presentation

Revised CICA Handbook Section 3861 replaces Handbook Section 3860, Financial Instruments – Disclosure and Presentation, and establishes standards for presentation of financial instruments and non-financial derivatives, and identifies information that should be disclosed. There was no material effect on the Company's financial statements when we adopted the CICA Handbook Section 3861 on January 1, 2007.

Comprehensive Income

CICA Handbook Section 1530 establishes standards for reporting and presenting comprehensive earnings, which is defined as the change in equity from transactions and other events from non-owner sources. Accordingly, a new statement of comprehensive earnings now forms part of the Company's consolidated financial statements and displays current period net earnings and other comprehensive earnings. Other comprehensive earnings consist of changes in the foreign currency translation adjustment from the Company's self-sustaining foreign operations net of income taxes. The cumulative changes in other comprehensive earnings are included in accumulated other comprehensive loss, which is a new category within shareholders' equity in the consolidated balance sheet. The accumulated foreign currency translation adjustment, formerly presented as a separate category within shareholders' equity called the cumulative translation account, is now included in accumulated other comprehensive loss. The continuity of the accumulated other comprehensive loss is presented in note 3 of the Company's 2007 second quarter financial statements.

Hedges

CICA Handbook Section 3865 specifies circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

Changes in Internal Control Over Financial Reporting

During the most recent interim period, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company continues to execute its Enterprise Resource Planning Systems implementation strategy to standardize controls and processes. In March 2007, Mr. Paul M. Boechler was appointed the Company's Chief Financial Officer upon the retirement of Mr. Terry D. Freeman who joined the Company's Board of Directors. Mr. Boechler is a Chartered Accountant and was the former Chief Financial Officer of IPEC Ltd, which was acquired by Flint through a reverse takeover in November 2001. Mr. Boechler previously held the positions of Vice President Finance for Flint and President of Flint's United States operations prior to his appointment as Chief Financial Officer.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at June 30, 2007, 47,441,948 common shares were outstanding compared to 47,168,794 as at December 31, 2006. 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 stock option incentive plan. At June 30, 2007, 2,693,994 options were outstanding.

Outlook

The addition of Transportation and Tubular Management has broadened the base of services provided by Flint to include services tied directly to drilling activity in the Western Canadian Sedimentary Basin. The current downturn in Canadian drilling activity has had a negative impact on some of Flint's recently acquired service lines. Oilfield Transportation and the connection of newly completed wells and the demand for polyethylene pipe are the first areas impacted.

The softness in demand for Flint's new drilling related services continued through the second and into the third quarter of this year. We have some optimism that an increase in working rig counts will lessen the gap in activity from the same time in 2006. We have seen drilling activity recover somewhat to close to 400 rigs now working, however drilling is expected to remain somewhat soft for the last half of 2007 and not get into higher utilization rates until January 2008.

Flint's Canadian Production Services operating activities, which are tied to post drilling activity and maintenance of existing production, are expected to see moderate slowing of demand in the second half of 2007 due to fewer well completions. On the other hand, with continued strong drilling activity in the US, Flint continues to experience robust demand for our Production Services activities and for production processing equipment south of the border.

Flint is expanding its Facility Infrastructure capacity for major project construction work to meet obligations for both existing contracts and those under negotiation. Fabrication work on the Shell Albion Froth Treatment Unit is underway and activity will increase in the fourth quarter of 2007. Additional "Early Work" on Suncor's Firebag Three Plus has been released and will be underway in the second half of 2007. The commencement of work on the Suncor asset management contract through FT Services is expected to start in September with operating revenues beginning in the fourth quarter of this year.

CONSOLIDATED BALANCE SHEETS*(unaudited)**(in thousands of Canadian dollars)**As at***June 30, 2007** December 31, 2006**Assets****Current assets:**

Cash and cash equivalents	\$ 14,080	\$ 11,520
Accounts receivable	275,858	291,230
Revenue in excess of billings	211,045	183,718
Inventories	42,940	38,483
Prepaid expenses and other current assets	21,187	20,106
Future income tax assets	5,342	4,870
Income taxes receivable	4,117	2,246
	574,569	552,173
Property, plant and equipment	453,573	449,861
Goodwill	404,136	406,563
Intangible assets and deferred charges	52,148	59,323
Other long-term assets	1,952	2,938
Future income tax assets	58	427
	\$ 1,486,436	\$ 1,471,285

Liabilities and Shareholders' Equity**Current liabilities:**

Accounts payable and accrued liabilities	\$ 164,428	\$ 187,768
Billings in excess of revenue	10,857	9,690
Income taxes payable (Note 8)	30,161	30,347
Future income tax liabilities	3,401	11,233
Current portion of long-term debt	13,086	11,997
	221,933	251,035
Long-term debt	387,103	367,112
Future income tax liabilities	71,284	75,158
Other long-term liabilities	800	800
	459,187	443,070

Shareholders' equity:

Capital stock (Note 6)	573,917	569,096
Contributed surplus	7,809	6,475
Accumulated other comprehensive loss (Note 2(a) and 3)	(19,572)	(13,086)
Retained earnings	243,162	214,695
	805,316	777,180

Commitments and contingencies (Note 10)

\$ 1,486,436 \$ 1,471,285*See accompanying notes to the consolidated financial statements.*

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

<i>(unaudited)</i> <i>(in thousands of Canadian dollars, except share data)</i>	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Revenue	\$ 421,788	\$ 354,708	\$ 924,482	\$ 687,515
Direct costs	347,879	280,323	744,017	545,139
Gross profit	73,909	74,385	180,465	142,376
General and administrative expenses	38,375	28,381	85,322	55,553
Amortization on property, plant and equipment	14,901	6,602	30,100	13,903
Amortization on intangible assets and other deferred charges	2,630	126	5,205	272
Stock based compensation expense	1,340	928	2,486	1,710
	16,663	38,348	57,352	70,938
Interest expense (Note 8)	7,696	6,427	14,730	10,152
Interest income	(70)	(427)	(300)	(427)
Earnings before income taxes	9,037	32,348	42,922	61,213
Income taxes:				
Current (Note 8)	(1,103)	24,560	25,869	40,074
Future (reduction)	3,857	1,759	(11,414)	(3,721)
	2,754	26,319	14,455	36,353
Net earnings	6,283	6,029	28,467	24,860
Retained earnings, beginning of period	236,879	178,893	214,695	160,062
Retained earnings, end of period	\$ 243,162	\$ 184,922	\$ 243,162	\$ 184,922
Earnings per share:				
Basic (Note 6)	\$ 0.13	\$ 0.16	\$ 0.60	\$ 0.71
Diluted (Note 6 and 7)	\$ 0.13	\$ 0.16	\$ 0.59	\$ 0.69
Weighted average common shares:				
Basic (Note 6)	47,334,796	36,631,842	47,268,746	35,201,632
Diluted (Note 6 and 7)	47,948,687	37,634,090	47,895,783	36,063,550

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS (LOSS)

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Net earnings	\$ 6,283	\$ 6,029	\$ 28,467	\$ 24,860
Other comprehensive loss, net of income taxes:				
Unrealized loss on translation of self-sustaining foreign operations	(5,771)	(3,130)	(6,486)	(2,643)
Other comprehensive loss	(5,771)	(3,130)	(6,486)	(2,643)
Comprehensive earnings	\$ 512	\$ 2,899	\$ 21,981	\$ 22,217

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i>	Three months ended	Three months ended	Six months ended	Six months ended
<i>(in thousands of Canadian dollars)</i>	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Cash and cash equivalents provided by (used in):				
Operating activities:				
Net earnings	\$ 6,283	\$ 6,029	\$ 28,467	\$ 24,860
Items not affecting cash:				
Amortization of property, plant and equipment	14,901	6,602	30,100	13,903
Amortization of intangible assets and other deferred charges	2,630	126	5,205	272
Amortization of deferred finance charges	148	66	286	132
(Gain) loss on disposal of property, plant and equipment	(901)	23	(695)	(178)
Stock based compensation expense	1,340	928	2,486	1,710
Future income taxes	3,857	1,759	(11,414)	(3,721)
Funds provided by operations before changes in non-cash working capital	28,258	15,533	54,435	36,978
Changes in non-cash balances relating to operations	32,794	47,739	(31,062)	18,068
	61,052	63,272	23,373	55,046
Investing activities:				
Business combination (Note 4)	(9,780)	(500)	(11,933)	(500)
Deposit on acquisition	-	(30,597)	-	(30,597)
Purchase of property, plant and equipment	(23,404)	(10,265)	(39,323)	(16,603)
Proceeds from disposal of property, plant and equipment	3,225	1,868	3,872	2,940
	(29,959)	(39,494)	(47,384)	(44,760)
Financing activities:				
Proceeds from long-term debt	25,348	33,618	100,154	74,644
Repayments of long-term debt	(54,181)	(106,040)	(77,080)	(144,169)
Deferred financing costs	(152)	-	(172)	-
Proceeds from issue of capital stock on exercise of options	2,131	3,774	3,669	5,028
Proceeds from primary share offering	-	116,000	-	116,000
Issue costs related to primary share offering	-	(5,077)	-	(5,077)
	(26,854)	42,275	26,571	46,426
Increase in cash and cash equivalents	4,239	66,053	2,560	56,712
Cash and cash equivalents, beginning of period	9,841	1,133	11,520	10,474
Cash and cash equivalents, end of period	\$ 14,080	\$ 67,186	\$ 14,080	\$ 67,186
Supplemental cash flow information:				
Net cash (paid) received during the period for:				
Interest paid	\$ (7,371)	\$ (2,897)	\$ (14,029)	\$ (6,546)
Interest received	77	169	306	169
Income taxes paid	\$ (18,396)	\$ (5,916)	\$ (28,759)	\$ (17,435)

See accompanying notes to the consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

Six Months Ended June 30, 2007

(tabular amounts 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. They do not include all the disclosures as required for annual financial statements under Canadian generally accepted accounting principles. The interim consolidated financial statements include the accounts of Flint Energy Services Ltd. and all subsidiary companies. 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, 2006, except as described in Note 2 a) below, and should be read in conjunction with that report.

The preparation of the interim consolidated financial statements require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results may differ 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.a) Accounting Policy Changes

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement"; Section 3861, "Financial Instruments – Disclosure and Presentation", Section 1530, "Comprehensive Income" and Section 3865 "Hedges". Prior periods have not been restated as a result of implementing the new accounting standards, except as required by the new standards to classify unrealized foreign currency translation gains or losses on net investments in self-sustaining foreign operations in accumulated other comprehensive loss.

The adoption of these standards has had no material impact on the Company's net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 provides guidance on when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet of the Company and on what basis these assets, liabilities and derivatives should be valued. Under the new standard, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, and other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on its initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive earnings until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

With the adoption of these new standards, the Company has classified its cash and cash equivalents as held-for-trading, accounts receivable, revenue in excess of billings and certain other long-term assets classified as loans and receivables, accounts payable and accrued liabilities, long-term debt, capital lease obligations and certain other long-term liabilities as other financial liabilities.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as a part of the respective asset or liability's carrying value at inception. As such, deferred financing costs related to the issuance of long-term debt were previously presented as a separate asset on the consolidated balance sheet and are now included in the carrying value of long-term debt. This change in accounting policy resulted in a decrease in long-term debt and intangible assets and deferred charges of \$2.0 million at January 1, 2007. The costs capitalized within long-term debt are being amortized using the effective interest method, which is consistent with the amortization method utilized in prior periods.

The standard requires derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. The Company has reviewed all significant contractual arrangements and determined there are no material embedded derivatives that must be separated from the host contract and fair valued and there are no non-financial derivatives that need to be fair valued.

Financial Instruments – Disclosure and Presentation

Revised CICA Handbook Section 3861 replaces Handbook Section 3860, Financial Instruments – Disclosure and Presentation, and establishes standards for presentation of financial instruments and non-financial derivatives, and identifies information that should be disclosed. There was no material effect on the Company's financial statements when CICA Handbook Section 3861 was adopted on January 1, 2007.

Comprehensive Income

CICA Handbook Section 1530 establishes standards for reporting and presenting comprehensive earnings, which is defined as the change in equity from transactions and other events from non-owner sources. Accordingly, a new statement of comprehensive earnings now forms part of the Company's consolidated financial statements and displays current period net earnings and other comprehensive earnings. Other comprehensive earnings consist of changes in the foreign currency translation adjustment from the Company's self-sustaining foreign operations net of income taxes. The cumulative changes in other comprehensive earnings are included in accumulated other comprehensive loss, which is a new category within shareholders' equity in the consolidated balance sheet. The accumulated foreign currency translation adjustment, formerly presented as a separate category within shareholders' equity called the cumulative translation account, is now included in accumulated other comprehensive loss. The continuity of the accumulated other comprehensive loss is presented in note 3 below.

Hedges

CICA Handbook Section 3865 specifies circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

b) Recently Issued Accounting Pronouncements**Inventory**

In June 2007, the CICA issued Section 3031, "Inventories", which requires inventory to be measured at the lower of cost and net realizable value and which includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. Further, it requires the reversal of previous write-downs to net realizable value when the economic circumstances have changed to support an increased inventory value. This standard is effective for fiscal years beginning on or after January 1, 2008. The Company is in the process of evaluating the impact of this standard.

3. Accumulated Other Comprehensive Loss

	Six months ended June 30, 2007	Six months ended June 30, 2006
Accumulated other comprehensive loss, beginning of period	\$ (13,086)	\$ (14,086)
Unrealized loss on translation of self-sustaining foreign operations	(6,486)	(2,643)
Accumulated other comprehensive loss, end of period	\$ (19,572)	\$ (16,729)

4. Business Combination**Transco Energy Services Ltd.**

On December 1, 2006, the Company acquired 100% of the issued and outstanding shares of Transco Energy Services Ltd. ("Transco"). Transco was a privately held energy services company with operations in British Columbia, Alberta, Saskatchewan and the Northwest Territories in Canada. The company operated in two business segments; oilfield transportation and tubular management.

At December 31, 2006 the Company accrued \$10.2 million to the previous Transco shareholders on the finalization of the working capital and net debt adjustments. During the first quarter of 2007, the Company paid \$2.1 million in relation to the working capital and net debt adjustments. The remaining \$8.1 million was paid in the second quarter of 2007.

The Company is in the process of finalizing its valuation of the net assets acquired, including goodwill and other intangible assets on the Transco acquisition, thus the allocation of the purchase price is subject to refinement.

All Other Acquisitions

On April 1, 2007, the Company acquired the business and assets of Pro Safe Safety and Rescue Ltd. ("Pro Safe") for cash consideration of \$1.9 million. Pro Safe was a privately held safety services company with operations based in Alberta, Canada.

The aggregate consideration given and fair values of net assets acquired in the acquisition of Pro Safe described above are as follows:

The combined purchase price is as follows:

Cash	\$ 1,900
Acquisition costs	22
	\$ 1,922

The combined net assets acquired at assigned values:

Property, plant and equipment	\$ 1,713
Non-competition agreements	145
Future tax liability	(47)
Goodwill	111
	\$ 1,922

The Company is in the process of finalizing the valuation of the net assets acquired, including goodwill and other intangible assets, thus the allocation of the purchase price is subject to refinement.

5. Investment in Joint Ventures

On September 28, 2006 the Company announced the establishment of an operation and maintenance joint venture, Flint Transfield Services Limited, with Transfield Services Limited, an Australian company. The Company has a fifty percent interest in the new joint venture, which will provide operations, maintenance, asset management and project management services to the North American energy sector.

In the first quarter of 2007, the Company and Transfield Services Limited each advanced \$1.5 million in the form of a non-interest bearing demand promissory note to Flint Transfield Services Limited. In the second quarter, the Company obtained a \$15 million letter of credit as security for the revolving loan of Flint Transfield Services Limited.

6. Capital Stock

On October 11, 2006, the Board of Directors of the Company approved 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. 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 these interim consolidated financial statements have been retroactively restated to give effect to this stock split.

a) Issued capital stock

	Common Shares	Amount
Balances at December 31, 2006	47,168,794	\$ 569,096
Shares issued in conjunction with:		
Exercised employee stock options	273,154	3,669
Transfer from contributed surplus for stock options exercised	—	1,152
Balances at June 30, 2007	47,441,948	\$ 573,917

- b) The Company has an incentive stock option plan for certain employees, officers and directors. Options issued under the plan vest at a rate of one third on the three subsequent award date anniversaries, except for 150,000 options which vested one year after their award date. All the options must be exercised over specified periods not to exceed five years from the date granted. In 2006, the Company amended the incentive stock option plan to increase the number of shares reserved for issuance from 3,209,514 to twelve percent of the total number of issued and outstanding shares of the Company from time to time. At June 30, 2007, 2,999,040 common shares remained reserved for issuance under the option plan.

Options	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2006	2,146,114	\$ 18.77
Granted	875,000	27.21
Forfeited	(53,566)	25.53
Expired	(400)	11.50
Exercised	(273,154)	13.43
Outstanding at June 30, 2007	2,693,994	\$ 21.92
Options exercisable at June 30, 2007	965,378	\$ 15.87

7. Earnings Per Share

Included in the diluted number of common shares for the six-month period ended June 30, 2007 is 627,037 of stock options (861,918 at June 30, 2006).

8. Income Taxes

In 2002 the Company commenced using a Quebec Trust as part of its corporate structure. The Quebec National Assembly recently passed into law Bill 15 to amend the Quebec Taxation Act and other legislative provisions. Bill 15 includes retroactive changes to the Act that has the impact of creating Quebec taxable income for the Company for the 2002, 2003, 2004 and 2005 taxation years. Notice of reassessments, dated June 28, 2006 for these years amount to \$15.5 million of income taxes and \$3.3 million of interest for a total reassessment of \$18.8 million.

On September 25, 2006, the Company filed the Notice of objections in relation to the Notice of reassessments received from the government of Quebec. The Company continues to consider alternatives to reduce the potential exposure for Quebec tax created as a result of this retroactive legislation. The Company has recorded \$0.9 million in interest expense for the six month period ended June 30, 2007. There remains the possibility that the eventual exposure under the legislation may be reduced and the Company will pursue all avenues of appeal and planning available to mitigate the tax liability.

Actual income tax expense differs from the “expected” income tax expense that would have been computed by applying the statutory income tax rates as follows:

Six Months Ended June 30	2007	2006
Federal, provincial and state statutory income tax rates	32.1%	32.9%
Expected income tax expense	\$ 13,777	\$ 20,139
Changes in income tax expense resulting from:		
Jurisdictional tax rate differences	1,483	853
Changes in tax rates impacting future income tax balances	(759)	(2,044)
Quebec retroactive tax reassessment	–	15,455
Non-deductible interest from Quebec tax reassessments	290	1,101
Tax adjustments and reassessments relating to prior years	(585)	–
Other non-deductible items	1,119	700
Other	(870)	149
Actual income tax expense	\$ 14,455	\$ 36,353

9. Segmented Information

As at June 30, 2007 the Company is operating within five reportable business segments, each of which are distinct business units that offer different products and services within the oil and natural gas industry. These reportable business segments include Production Services, Facility Infrastructure, Oilfield Transportation, Tubular Management and Manufacturing and Plant Maintenance and Asset Management.

During 2006, the Company operated principally in two business segments; Production Services and Facility Infrastructure. On December 1, 2006, the Company added the Oilfield Transportation and Tubular Management and Manufacturing segments through the acquisition of Transco (Note 4). In addition during the first quarter of 2007, Flint Transfield Services Limited, a joint venture in which the Company has a fifty percent ownership interest (Note 5), secured a long term asset management service contract. As a result, the Company has disclosed an additional operating segment, Plant Maintenance and Asset Management, beginning in the first quarter of 2007. The Company has reclassified its segment disclosures to include these new business segments and has provided comparative information where applicable.

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, and fluid hauling.

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.

The Oilfield Transportation operating segment includes specialized hauling of oversized and over weight modules, vessels, equipment and machinery, tank truck services, drilling rig moving and heavy hauling of associated drilling rig equipment, heavy construction equipment, service rig and light hauling services to and from drilling site locations.

The Tubular Management and Manufacturing operating segment includes inspection, threading, refurbishment and bucking of drill and line pipe, manufacturing of high density pipe, the assembly of oil and natural gas process piping and equipment design, manufacturing and distribution of oilfield production equipment.

The Plant Maintenance and Asset Management operating segment provides operations, maintenance, asset management and project management services to the North American energy sector.

Operating Segments

(unaudited)	Production	Facility	Oilfield	Tubular	Plant	Total
(in thousands of Canadian dollars)	Services	Infrastructure	Transportation	Management and Manufacturing	Maintenance and Asset Management	
Three months ended June 30, 2007						
Revenue	\$ 255,903	\$ 95,132	\$ 20,332	\$ 48,134	\$ 2,287	\$ 421,788
EBITDA ¹	26,288	9,620	(8,043)	7,879	(210)	35,534
Amortization	7,837	2,109	4,999	2,586	–	17,531
Capital expenditures	11,326	2,031	5,432	3,471	1,144	23,404
Additions to goodwill	(1,954)	–	8	2	–	(1,944)
Goodwill	170,712	28,900	158,192	46,332	–	404,136
Total assets	711,166	281,804	331,525	155,171	6,770	1,486,436

	Production	Facility	Oilfield	Tubular	Plant	Total
Three months ended June 30, 2006	Services	Infrastructure	Transportation	Management and Manufacturing	Maintenance and Asset Management	
Revenue	\$ 213,931	\$ 118,891	\$ –	\$ 21,886	\$ –	\$ 354,708
EBITDA ¹	26,619	15,941	–	3,444	–	46,004
Amortization	4,558	1,723	–	447	–	6,728
Capital expenditures	8,202	1,503	–	560	–	10,265
Additions to goodwill	(792)	–	–	–	–	(792)
Goodwill	159,337	28,900	–	9,259	–	197,496
Total assets	542,968	250,301	–	54,632	–	847,901

	Production	Facility	Oilfield	Tubular	Plant	Total
Six months ended June 30, 2007	Services	Infrastructure	Transportation	Management and Manufacturing	Maintenance and Asset Management	
Revenue	\$ 530,239	\$ 200,900	\$ 86,939	\$ 103,114	\$ 3,290	\$ 924,482
EBITDA ¹	54,018	16,158	6,880	18,256	(169)	95,143
Amortization	15,206	4,092	10,891	5,116	–	35,305
Capital expenditures	17,122	3,789	11,330	5,938	1,144	39,323
Additions to goodwill	(2,477)	–	40	10	–	(2,427)
Goodwill	170,712	28,900	158,192	46,332	–	404,136
Total assets	711,166	281,804	331,525	155,171	6,770	1,486,436

	Production	Facility	Oilfield	Tubular	Plant	Total
Six months ended June 30, 2006	Services	Infrastructure	Transportation	Management and Manufacturing	Maintenance and Asset Management	
Revenue	\$ 435,006	\$ 210,259	\$ –	\$ 42,250	\$ –	\$ 687,515
EBITDA ¹	56,856	23,365	–	6,602	–	86,823
Amortization	9,867	3,367	–	941	–	14,175
Capital expenditures	13,152	2,597	–	854	–	16,603
Additions to goodwill	(680)	–	–	–	–	(680)
Goodwill	159,337	28,900	–	9,259	–	197,496
Total assets	542,968	250,301	–	54,632	–	847,901

Geographic Segments

(unaudited)

(in thousands of Canadian dollars)

Three months ended June 30, 2007	Canada	United States	Total
Revenue	\$ 296,550	\$ 125,238	\$ 421,788
Property, plant and equipment	405,073	48,500	453,573
Goodwill	379,390	24,746	404,136
Total assets	1,370,662	115,774	1,486,436

Three months ended June 30, 2006	Canada	United States	Total
Revenue	\$ 266,498	\$ 88,210	\$ 354,708
Property, plant and equipment	163,623	36,509	200,132
Goodwill	172,397	25,099	197,496
Total assets	753,649	94,252	847,901

Six months ended June 30, 2007	Canada	United States	Total
Revenue	\$ 684,635	\$ 239,847	\$ 924,482
Property, plant and equipment	405,073	48,500	453,573
Goodwill	379,390	24,746	404,136
Total assets	1,370,662	115,774	1,486,436

Six months ended June 30, 2006	Canada	United States	Total
Revenue	\$ 517,245	\$ 170,270	\$ 687,515
Property, plant and equipment	163,623	36,509	200,132
Goodwill	172,397	25,099	197,496
Total assets	753,649	94,252	847,901

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 do not have any standardized meaning prescribed by GAAP, and may not be comparable to similar measures presented by other issuers.

10. Commitments and Contingencies

At June 30, 2007, 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.

11. Comparative Figures

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
Flint Energy Services Ltd.
Calgary, Alberta

John Bates

President
Flint Resources Company, LLC
Tulsa, Oklahoma

Stuart O'Connor

President
Timber Ridge Capital Ltd.
Calgary, Alberta

Lyle Reid

President
Reid Equity Ventures
Sherwood Park, Alberta

Douglas E. Swanson

Chief Executive Officer
Oil States International Inc.
Houston, Texas

Terry Freeman

Managing Director
Northern Plains Investment Growth Fund
Edmonton, Alberta

C. Douglas Annable

President
CD Consulting Inc.
Calgary, Alberta

OFFICERS

W.J. (Bill) Lingard

President and Chief Executive Officer

Paul Boechler

Chief Financial Officer and
Corporate Secretary

Bryce Satter

President, Flint Energy Services Inc. (USA)

Wayne Shaw

Senior Vice President, Facility Infrastructure

Keith Lambert

Senior Vice President, Production Services

Tim O'Brien

Senior Vice President, Oilfield Transportation,
Tubular Management & Manufacturing

Allan Cleiren

Vice President, Finance

CORPORATE HEAD OFFICE

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STOCK EXCHANGE LISTING

Toronto Stock Exchange (TSX)
Common Shares - FES