



**Third Quarter Report**  
For the nine months ending September 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](http://www.sedar.com). The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be 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 November 5, 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 September 30, 2007 were \$12.2 million on revenues of \$424.3 million compared to net earnings of \$12.9 million on revenues of \$341.5 million for the same quarter in 2006. Funds provided by operations before changes in non-cash working capital for the three-month period were \$33.5 million compared to \$23.6 million for the comparative period. Diluted earnings per share for the third quarter of 2007 were \$0.25 compared to \$0.33 for the third quarter in 2006.

**Highlights**

Revenue increased by \$82.8 million or 24.2%, primarily as a result of the Oilfield Transportation and the Canadian portion of the Tubular Management and Manufacturing operations being part of the company through out 2007. During the third quarter of 2007, these two groups contributed \$36.6 million and \$17.1 million in revenue respectively. Oilfield Transportation revenue was significantly below expectations due to demand for its services being closely tied to oilfield drilling activity. Facility Infrastructure revenue increased moderately due to increased work scope on the Long Lake Project, offsetting delays in work on new projects as a result of slower than expected receipt of the project specifications required to commence module construction. Canadian Production Services activity declined slightly and was offset by increases in United States Operations. The Company's United States manufacturing subsidiary, J.W. Williams, which is included in the Tubular Management and Manufacturing operating segment continued to have increased quarterly revenue from the prior year, with third quarter 2007 having a 28.32% increase.

Consolidated gross margin in the third quarter of 2007 was 19.9% compared to 18.1% in 2006. The margin increase is primarily due to improved results in the Production Services operating segment, in part due to goods and service tax ("GST") recoveries, covering a two year period, and from good weather and execution in the field in the United States operations. The Oilfield Transportation operating segment, had margins well below expectation, due to poor equipment utilization as a result of a decline in drilling activity in Canada. This significant under-utilization of transportation equipment compared to business plan during the quarter impacted the Company's overall margin by 2.0%.

Revenue in Flint's Plant Maintenance and Asset Management operating segment is derived from a 50% owned subsidiary, Flint Transfield Services Ltd. ("FT Services"). In March, the Company announced that FT Services signed a \$1 billion, five year contract with Suncor Energy Inc ("Suncor"). The revenue of \$7.1 million in the quarter is the result of the initial start up of work on this contract. The revenue from this operating segment will grow substantially in the fourth quarter and into 2008. FT Services is currently involved in the transition phase with Suncor, which will continue into 2008 as additional facilities and locations are added to the scope of work.

## Consolidated Financial Results

### Summary of Consolidated Financial Results

<i>(in millions of Canadian dollars, except share data)</i>	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Revenue	\$ 424.3	\$ 341.5	\$ 1,348.8	\$ 1,029.0
EBITDA <sup>1</sup>	45.6	32.8	140.8	119.7
Net earnings	12.2	12.9	40.7	37.7
per common share – basic	0.26	0.34	0.86	1.04
per common share – diluted	0.25	0.33	0.85	1.02
Funds provided by operations before changes in non-cash working capital <sup>2</sup>	33.5	23.6	88.0	60.6

	September 30	December 31
	2007	2006
Working capital	\$ 343.8	\$ 301.1
Total assets	1,484.4	1,471.3
Shareholders' equity	813.5	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.

2 The Company presents "funds provided by operations before changes in non-cash working capital" as it is used to measure funds generated from operations. Funds provided by operations before changes in non-cash working capital is equal to net earnings adjusted for items not affecting cash. Funds provided by operations before changes in non-cash working capital 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 nine-month periods ended September 30, 2007 increased to \$424.3 million and \$1,348.8 million respectively from \$341.5 million and \$1,029.0 million for the same periods in the prior year. Of the \$82.8 million quarterly increase in revenue, 64.9% or \$53.7 million is due to the addition of the Oilfield Transportation and Canadian Tubular Management and Manufacturing operations acquired in December 2006. These same operating segments contributed 56.4% or \$180.1 million of the \$319.8 million year-to-date increase in revenue. The Production Services operating segment increased revenue by \$9.6 million in the quarter and \$104.8 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 Eastern Alberta and the oil sands. The gains in these areas were offset partially by decreases in revenue in the Northern and Central, Alberta regions as a result of lower drilling activity. The Facility Infrastructure operating segment's revenue increased to \$102.2 million for the quarter but was down by \$2.8 million to \$303.1 million on a year-to-date basis compared to the same periods in 2006. Some variability is being experienced by this operating segment as older projects are experiencing small increases in the scope of work, while others are ramping down on activity, and newer projects are experiencing project delays. The Company's United States manufacturing company, J.W. Williams, continued its year over year growth with

record nine-month revenue of \$91.7 million and year-over-year increase during the third quarter due to increased manufacturing capacity and customer demand.

### **Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”)**

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Earnings before income taxes	\$ 19,774	\$ 19,992	\$ 62,696	\$ 81,205
Interest expense, net of income	6,440	2,699	20,870	12,423
Stock based compensation	1,323	931	3,809	2,641
Amortization	18,101	9,220	53,406	23,396
<b>EBITDA<sup>1</sup></b>	<b>\$ 45,638</b>	<b>\$ 32,842</b>	<b>\$ 140,781</b>	<b>\$ 119,665</b>

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

The \$12.8 million third quarter increase in EBITDA as compared to the third quarter of 2006 is primarily due to increased revenue for the period. The EBITDA loss in the Oilfield Transportation operating segment is not as high as experienced in the second quarter but continues to reflect an activity level that is not supporting the business acquired. Production Services' third quarter 2007 EBITDA was impacted by a \$3.2 million recovery of GST as a result of improvements in procedures to capture all input tax credits, and expanded United States operations which combined for a \$5.1 million increase in this operating segment. Also contributing to EBITDA is an increase in margin and revenue in the Facility Infrastructure operating segment with an increase in EBITDA margin to 9.5% in the third quarter from 7.5% in 2006. The success of the United States operations, both in Production Services and Manufacturing, and the recovery of costs in Canada were partially offset by an EBITDA loss in the Oilfield Transportation group.

Year-to-date, EBITDA is \$21.1 million or 17.6% higher than the same period in 2006 as the result of increased revenue. The losses incurred at the EBITDA line during the second and third quarters in the Oilfield Transportation operating segment have dampened the success of the rest of the operations of the Company on a year-over-year basis. The 2007 year-to-date gross margin percentage for the Production Services operating segment was higher than the prior year due to the recovery of GST and the improvement in operating execution in the field in the United States. The Facility Infrastructure operating segment also had a year-to-date higher average gross margin due to the recovery of costs previously reported as non-recoverable and constant margins on the Long Lake project.

General and administrative expenses as a percentage of revenue increased to 9.1% and 9.2% for the respective three-month and nine-month periods ending September 30, 2007 from the 8.5% and 8.2% 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 the Canadian portion of the Tubular Management and Manufacturing operating segments. Integration of these segments have required the need to maintain higher general and administrative costs during a period where they have been experiencing lower than anticipated revenue. Included in the third quarter is \$1.2 million of unrealized foreign currency gains on a U.S. dollar debt in the Canadian operations. Other factors affecting the 2007 quarter and year-to-date general and administrative costs are the additional office space acquired to meet Facility Infrastructure requirements, the addition of people and facilities acquired through the Denmark acquisition in 2006, and the Company's proportional share of FT Services' start up costs.

### **Net Earnings**

Net earnings for the third quarter of 2007 decreased marginally by \$0.6 million to \$12.2 million. Earnings in the nine months ended September 30, 2006, 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. Interest has been accrued each quarter on the outstanding amounts of the assessments and Notice of Objections have been filed. No amounts have been paid on these reassessments pending negotiations or litigation on the issue. Improved gross margins and revenue in 2007 have been offset by higher general and administrative costs and earning losses in the Oilfield Transportation operating segment. An increased number of common shares outstanding have also contributed to lower earnings per share figure year-over-year.

Amortization of property, plant and equipment and intangible assets for the three and nine-month periods ended September 30, 2007 increased by \$8.9 million and \$30.0 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 third quarter of 2007 includes accrued interest on the Quebec reassessments of \$0.5 million. Interest expense for the nine-month period ended September 30, 2007 increased by \$7.7 million from the same period in 2006 due to the increased use of term and operating line facilities to finance a portion of the acquisition costs for Transco Energy Services Ltd ("Transco") and Denmar Energy Services Ltd ("Denmar") during 2006. Interest income declined by \$0.6 million as the Company's surplus cash position throughout the third quarter of 2007 was lower than the corresponding period in 2006.

Income tax expense for the quarter was impacted by the increased percentage of earnings from the United States operations, where tax rates are higher than in Canada. The effective tax rate for the quarter increased to 38.1% from 35.6% in 2006. For the nine-month period, income taxes in 2006 included \$15.5 million of retroactive tax assessed by Quebec. The decrease in income tax expense for the nine-month period ended September 30, 2007 is due to no similar tax being assessed in 2007 and due to lower earnings before tax in 2007 as compared to the first nine months 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		
		Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	<b>\$424.3</b>	\$421.8	\$502.7	\$426.6	\$341.5	\$354.7	\$332.8	\$292.8
Net earnings	<b>12.2</b>	6.3	22.2	16.9	12.9	6.0	18.8	11.6
per common share – basic	<b>0.26</b>	0.13	0.47	0.39	0.33	0.16	0.56	0.34
per common share – diluted	<b>0.25</b>	0.13	0.46	0.39	0.33	0.16	0.55	0.34

Increases in revenue in the most recent three quarters are primarily due to higher than anticipated revenue in the United States operations and from the business segments acquired during the past year. Additional revenue was added in the third and fourth quarter of 2006 through the acquisitions of Denmar on July 4, 2006, and Transco on December 1, 2006. Only one month of revenue from the Oilfield Transportation and Canadian Tubular Management and Manufacturing operating segments was added in December of 2006. The addition of these segments during the first part of 2007 has increased each quarter's revenue year over year. Net earnings in the second and third quarter of 2007 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.

## 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 September 30				Nine months ended September 30			
	2007		2006		2007		2006	
<b>Revenue by operating segment</b>								
Production Services	\$ 233.2	55 %	\$ 223.7	66 %	\$ 763.5	57 %	\$ 658.7	64 %
Facility Infrastructure	102.2	24	95.6	28	303.1	22	305.9	30
Oilfield Transportation	36.6	9	–	–	123.5	9	–	–
Tubular Management and Manufacturing	45.2	11	22.2	6	148.3	11	64.4	6
Plant Maintenance and Asset Management	7.1	1	–	–	10.4	1	–	–
<b>Total</b>	<b>\$ 424.3</b>	<b>100 %</b>	<b>\$ 341.5</b>	<b>100.0 %</b>	<b>\$ 1,348.8</b>	<b>100 %</b>	<b>\$ 1,029.0</b>	<b>100.0 %</b>

### EBITDA<sup>1</sup> by operating segment

Production Services	\$ 27.7	61 %	\$ 22.6	69 %	\$ 81.7	58 %	\$ 79.4	66 %
Facility Infrastructure	9.7	21	7.2	22	25.9	18	30.6	26
Oilfield Transportation	(0.6)	(1)	–	–	6.3	4	–	–
Tubular Management and Manufacturing	8.3	18	3.0	9	26.6	19	9.7	8
Plant Maintenance and Asset Management	0.5	1	–	–	0.3	1	–	–
<b>Total</b>	<b>\$ 45.6</b>	<b>100 %</b>	<b>\$ 32.8</b>	<b>100.0 %</b>	<b>\$ 140.8</b>	<b>100 %</b>	<b>\$ 119.7</b>	<b>100.0 %</b>

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 nine-month periods ended September 30, 2007 increased by 4.2% and 15.9% to \$233.2 million and \$763.5 million respectively as compared to the same periods in 2006. The third quarter and year-to-date increases are primarily driven from activity levels in Texas and the Rocky Mountain regions of the United States and increased activity in Eastern, Alberta and the oil sands. In addition, the first and second quarters of 2006 did not include the operations of Denmark, which were acquired in July, 2006. The Denmark acquisition increased the Company's activity in the Northeast region of Alberta. These increases were partially offset by decreases in revenue as a result of lower drilling activity, well completions and connections.

EBITDA for this operating segment increased by \$5.1 million and \$2.3 million in the three and nine-month periods respectively due to the increase in revenue, a \$3.2 million recovery of GST in Canada, and better field execution and improved operating results in the United States.

### Facility Infrastructure

Facility Infrastructure revenue increased slightly for the three-month period ended September 30, 2007 but was down for the nine-month period. Some variability is being experienced by this operating segment as some older projects are experiencing small increases in the scope

of work, while others are ramping down on activity, and newer projects are experiencing project delays. EBITDA for this operating segment is \$2.5 million higher for the three-month period and \$4.7 million lower for the nine-month period ended September 30, 2007 corresponding to the changes in revenue during the same periods. In the first three quarters of 2006 the margin on the Long Lake project was higher as the project did experience cost overruns at that time which as since reduced the overall recorded margin on the project.

### ***Oilfield Transportation***

The Oilfield Transportation operating segment was added in December 2006. Revenue for this operating segment in the three-month and nine-month periods ended September 30, 2007 was \$36.6 million and \$123.5 million respectively. Due to a reduction in natural gas drilling activity in Canada, an early spring break up and wet weather conditions in some geographic areas, revenues for this operating segment have been consistently lower this year compared to the same periods of the predecessor company's revenue. The slight increase in drilling activity in early August of this year was not sustained and the rig count in Western Canada declined to the 320 to 340 active rig range. At this level of drilling activity, utilization of equipment for this operating segment dropped to a level where fixed overheads were not fully recovered. Changes in pay structure, number of locations and equipment rationalization will reduce the break even cost in this division but in the short term these cost reductions will be offset by costs associated with integration, compliance legislation and system changes. The rig hauling operations in this segment were most directly impacted by the reduction in drilling activity in 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.

### ***Tubular Management and Manufacturing***

The significant change in revenue and EBITDA for this group is directly related to the addition of the Tubular Management and Manufacturing divisions through the purchase of Transco in December of 2006. Tubular Management and Manufacturing revenue for the three-month and nine-month periods ended September 30, 2007 increased by 103.6% and 130.3% to \$45.2 million and \$148.3 million respectively. EBITDA also increased by \$5.3 million and \$16.9 million to \$8.3 million and \$26.6 million for the same periods. 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 and third quarter of this year, especially on drill pipe related activity. The Canadian manufacturing division included in this operating segment, Global Poly Systems, incurred losses due to higher input costs and significant reductions in the demand for its oilfield related products. The United States manufacturing division, J.W. Williams, continues to achieve record revenue, through increased manufacturing capacity and strong demand for its products. A high level of natural gas drilling across the United States has resulted in both revenue and related earnings to remain strong for Flint divisions working in this area.

### ***Plant Maintenance and Asset Management***

In 2007 the Company is reporting a 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 commenced in the latter part of the third quarter of 2007.

The end of the transition phases at oil sands and Firebag and the commencement of contract management have resulted in the recognition of \$7.1 million of revenue for the quarter and the generation of positive EBITDA for both the three and nine-month periods. EBITDA in the third quarter of 2007 recovered small losses from the first half of the year.

### ***Consolidated Financial Position***

As at September 30, 2007, the Company's net working capital position was \$343.8 million compared to \$301.1 million as at December 31, 2006. The year to date increase in revenue over the same period in 2006 of \$319.7 million was the main contributor to the increase in working capital. Working capital decreased by \$8.8 million as compared to the previous quarter end.

Income taxes payable remained fairly constant at \$27.4 million compared to \$30.3 million as at December 31, 2006. The September 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 \$5.5 million at September 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 2007. From the previous quarter-end, long-term debt decreased by \$15.5 million due to a portion of the year-to-date cash flow from operations being used to reduce the use of the Company's operating line and due to the impacts of weakening U.S. dollar on the Company's U.S. denominated debt.

## 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 September 30		Nine months ended September 30	
	2007	2006	2007	2006
Funds provided by operations before changes in non-cash working capital <sup>4</sup>	\$ 33.5	\$ 23.6	\$ 88.0	\$ 60.6
Net cash provided by operating activities	24.2	0.4	47.6	55.4
Cash flow to interest bearing debt (%) <sup>1 &amp; 2</sup>	34.9	62.2	30.5	53.3
			<b>September 30</b>	December 31
			<b>2007</b>	2006
Long-term debt (including current portion)			\$ 384.6	\$ 379.1
Debt to total capitalization (%) <sup>1 &amp; 3</sup>			32.1	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.

4 The Company presents "funds provided by operations before changes in non-cash working capital" as it is used to measure funds generated from operations. Funds provided by operations before changes in non-cash working capital is equal to net earnings adjusted for items not affecting cash. Funds provided by operations before changes in non-cash working capital 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.

### Cash Flow and Liquidity

Funds provided by operations before changes in non-cash working capital for the third quarter of 2007 increased 42.0%, compared to the same period in 2006 despite the third 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 September 30, 2007, the Company incurred capital expenditures totaling \$23.9 million. Capital expenditures in the third quarter of 2007 included 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 \$3.3 million related to the sale of retired vehicles and equipment.

During the nine-month period ended September 30, 2007, the Company increased its long-term debt position (including current portion) by \$5.5 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. As at September 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		
	\$ 14.9	\$ 152.5	\$ 148.6	\$ 68.7	\$ 384.7	

## ***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 third 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 September 30, 2007, 47,502,782 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 September 30, 2007, 2,630,160 options were outstanding.

**Outlook**

The Company's customers in Western Canada have been presented with some challenges in 2007 as a result of concerns over emissions, low natural gas prices, and the royalty review all of which have curtailed investment in the sector. On the contrary, drilling activity remains high in the United States, where our revenue and earnings have been at record levels. This record activity has been offset partially by the impact of a stronger Canadian dollar.

The addition of Oilfield Transportation and Canadian Tubular Management and Manufacturing operating segments 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 third and into the fourth quarter of this year. The brief upturn in rig count was not sustained and most of the third quarter drilling activity in Canada was between 330 and 360 rigs.

Flint's Canadian Production Services operating activities, which are tied to post-drilling activity and maintenance of existing production, experienced moderate slowing of demand in the third quarter and the Company expects this to continue into early 2008. On the other hand, with continued strong drilling activity in the United States, Flint continues to experience robust demand for Production Services activities and for production processing equipment in the United States.

Flint is expanding its Facility Infrastructure capacity to meet their obligations for major project construction work for both the existing Shell and Suncor contracts. These contracts will generate significant revenue in this division over the next two years. Fabrication work on the Shell Albian Froth Treatment Unit is underway and activity will increase in the fourth quarter of 2007. Work releases on Suncor's Fort McMurray project is also under way and will result in a significant increase in employees in this division over the next few months.

The commencement of work on the Suncor asset management contract through FT Services started in September with increased operating revenues projected in the fourth quarter of this year.

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

Cash and cash equivalents	<b>\$ 15,479</b>	\$ 11,520
Accounts receivable	<b>292,759</b>	291,230
Revenue in excess of billings	<b>197,861</b>	183,718
Inventories	<b>44,784</b>	38,483
Prepaid expenses and other current assets	<b>13,483</b>	20,106
Future income tax assets	<b>5,383</b>	4,870
Income taxes receivable	<b>4,135</b>	2,246
	<b>573,884</b>	552,173
Property, plant and equipment	<b>455,676</b>	449,861
Goodwill	<b>402,496</b>	406,563
Intangible assets and deferred charges	<b>49,884</b>	59,323
Other long-term assets	<b>2,269</b>	2,938
Future income tax assets	<b>231</b>	427
	<b>\$ 1,484,440</b>	\$ 1,471,285

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

Accounts payable and accrued liabilities	<b>\$ 174,565</b>	\$ 187,768
Billings in excess of revenue	<b>6,029</b>	9,690
Income taxes payable (note 8)	<b>27,367</b>	30,347
Future income tax liabilities	<b>7,261</b>	11,233
Current portion of long-term debt	<b>14,887</b>	11,997
	<b>230,109</b>	251,035
Long-term debt	<b>369,755</b>	367,112
Future income tax liabilities	<b>71,120</b>	75,158
Other long-term liabilities	<b>–</b>	800
	<b>440,875</b>	443,070

**Shareholders' equity:**

Capital stock (note 6)	<b>575,384</b>	569,096
Contributed surplus	<b>8,764</b>	6,475
Accumulated other comprehensive loss (Note 2(a) and 3)	<b>(26,088)</b>	(13,086)
Retained earnings	<b>255,396</b>	214,695
	<b>813,456</b>	777,180

Commitments and contingencies (Note 10)

**\$ 1,484,440** \$ 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>	<b>Three months ended</b> <b>September 30, 2007</b>	Three months ended September 30, 2006	<b>Nine months ended</b> <b>September 30, 2007</b>	Nine months ended September 30, 2006
Revenue	<b>\$ 424,277</b>	\$ 341,502	<b>\$ 1,348,759</b>	\$ 1,029,017
Direct costs	<b>340,004</b>	279,705	<b>1,084,021</b>	824,844
Gross profit	<b>84,273</b>	61,797	<b>264,738</b>	204,173
General and administrative expenses	<b>38,635</b>	28,955	<b>123,957</b>	84,508
Amortization on property, plant and equipment	<b>15,841</b>	8,582	<b>45,941</b>	22,490
Amortization on intangible assets and other deferred charges	<b>2,260</b>	638	<b>7,465</b>	906
Stock based compensation expense	<b>1,323</b>	931	<b>3,809</b>	2,641
	<b>26,214</b>	22,691	<b>83,566</b>	93,628
Interest expense (note 8)	<b>6,520</b>	3,359	<b>21,250</b>	13,510
Interest income	<b>(80)</b>	(660)	<b>(380)</b>	(1,087)
Earnings before income taxes	<b>19,774</b>	19,992	<b>62,696</b>	81,205
Income taxes:				
Current (note 8)	<b>3,803</b>	6,436	<b>29,672</b>	46,510
Future (reduction)	<b>3,737</b>	683	<b>(7,677)</b>	(3,038)
	<b>7,540</b>	7,119	<b>21,995</b>	43,472
Net earnings	<b>12,234</b>	12,873	<b>40,701</b>	37,733
Retained earnings, beginning of period	<b>243,162</b>	184,922	<b>214,695</b>	160,062
Retained earnings, end of period	<b>\$ 255,396</b>	\$ 197,795	<b>\$ 255,396</b>	\$ 197,795
Earnings per share:				
Basic (Note 6)	<b>\$ 0.26</b>	\$ 0.34	<b>\$ 0.86</b>	\$ 1.04
Diluted (Note 6 and 7)	<b>\$ 0.25</b>	\$ 0.33	<b>\$ 0.85</b>	\$ 1.02
Weighted average common shares:				
Basic (Note 6)	<b>47,462,529</b>	38,455,704	<b>47,334,050</b>	36,297,502
Diluted (Note 6 and 7)	<b>47,989,725</b>	39,365,352	<b>47,922,841</b>	37,177,574

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS (LOSS)

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	<b>Three months ended</b> <b>September 30, 2007</b>	Three months ended September 30, 2006	<b>Nine months ended</b> <b>September 30, 2007</b>	Nine months ended September 30, 2006
Net earnings	<b>\$ 12,234</b>	\$ 12,873	<b>\$ 40,701</b>	\$ 37,733
Other comprehensive gain (loss), net of income taxes:				
Unrealized gain (loss) on translation of self-sustaining foreign operations	<b>(6,516)</b>	136	<b>(13,002)</b>	(2,507)
Other comprehensive gain (loss)	<b>(6,516)</b>	136	<b>(13,002)</b>	(2,507)
Comprehensive earnings	<b>\$ 5,718</b>	\$ 13,009	<b>\$ 27,699</b>	\$ 35,226

See accompanying notes to the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)  
(in thousands of Canadian dollars)

Three months ended  
**September 30, 2007**

Three months ended  
September 30, 2006

Nine months ended  
**September 30, 2007**

Nine months ended  
September 30, 2006

**Cash and cash equivalents provided by (used in):****Operating activities:**

Net earnings	\$	<b>12,234</b>	\$	12,873	\$	<b>40,701</b>	\$	37,733
Items not affecting cash:								
Amortization of property, plant and equipment		<b>15,841</b>		8,582		<b>45,941</b>		22,490
Amortization of intangible assets and other deferred charges		<b>2,260</b>		638		<b>7,465</b>		906
Amortization of deferred finance charges		<b>149</b>		66		<b>435</b>		197
Gain on disposal of property, plant and equipment		<b>(782)</b>		(157)		<b>(1,477)</b>		(335)
Stock based compensation expense		<b>1,323</b>		931		<b>3,809</b>		2,641
Foreign exchange translation		<b>(1,224)</b>		–		<b>(1,224)</b>		–
Future income taxes		<b>3,737</b>		683		<b>(7,677)</b>		(3,038)
		<b>33,538</b>		23,616		<b>87,973</b>		60,594
Changes in non-cash balances relating to operations		<b>(9,332)</b>		(23,238)		<b>(40,394)</b>		(5,170)
Net cash provided by operating activities		<b>24,206</b>		378		<b>47,579</b>		55,424

**Investing activities:**

Business combination (Note 4)		–		(14,937)		<b>(11,933)</b>		(15,437)
Advance to subsidiary prior to acquisition		–		(9,994)		–		(9,994)
Deposit on acquisition		–		30,597		–		–
Purchase of property, plant and equipment		<b>(23,922)</b>		(13,437)		<b>(63,245)</b>		(30,040)
Proceeds from disposal of property, plant and equipment		<b>3,305</b>		958		<b>7,177</b>		3,898
		<b>(20,617)</b>		(6,813)		<b>(68,001)</b>		(51,573)

**Financing activities:**

Proceeds from long-term debt		<b>23,039</b>		27,640		<b>123,193</b>		102,284
Repayments of long-term debt		<b>(26,283)</b>		(28,505)		<b>(103,363)</b>		(172,674)
Deferred financing costs		<b>(46)</b>		–		<b>(218)</b>		–
Proceeds from issue of capital stock on exercise of options		<b>1,100</b>		1,506		<b>4,769</b>		6,534
Proceeds from primary share offering		–		–		–		116,000
Issue costs related to primary share offering		–		(5)		–		(5,082)
		<b>(2,190)</b>		636		<b>24,381</b>		47,062

Increase in cash and cash equivalents		<b>1,399</b>		(5,799)		<b>3,959</b>		50,913
Cash and cash equivalents, beginning of period		<b>14,080</b>		67,186		<b>11,520</b>		10,474
Cash and cash equivalents, end of period	\$	<b>15,479</b>	\$	61,387	\$	<b>15,479</b>	\$	61,387

## Supplemental cash flow information:

Net cash (paid) received during the period for:

Interest paid	\$	<b>(6,883)</b>	\$	(2,612)	\$	<b>(20,912)</b>	\$	(9,158)
Interest received		<b>90</b>		725		<b>396</b>		894
Income taxes paid	\$	<b>(6,713)</b>	\$	(12,272)	\$	<b>(35,472)</b>	\$	(29,706)

See accompanying notes to the consolidated financial statements.

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

*Nine Months Ended September 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**

	<b>Nine months ended September 30, 2007</b>	Nine months ended September 30, 2006
Accumulated other comprehensive loss, beginning of period	<b>\$ (13,086)</b>	\$ (14,086)
Unrealized loss on translation of self-sustaining foreign operations	<b>(13,002)</b>	(2,507)
Accumulated other comprehensive loss, end of period	<b>\$ (26,088)</b>	\$ (16,593)

## **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. In the first two quarters of 2007 the \$10.2 million was paid.

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
	<b>\$ 1,922</b>

The combined net assets acquired at assigned values:

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

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	333,988	4,768
Transfer from contributed surplus for stock options exercised	–	1,520
Balances at September 30, 2007	47,502,782	\$ 575,384

- 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 September 30, 2007, 3,070,174 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	898,000	27.24
Forfeited	(79,566)	25.96
Expired	(400)	11.50
Exercised	(333,988)	14.28
Outstanding at September 30, 2007	2,630,160	\$ 22.02
Options exercisable at September 30, 2007	922,210	\$ 15.95

## 7. Earnings Per Share

Included in the diluted number of common shares for the nine-month period ended September 30, 2007 is 588,791 of stock options (880,072 at September 30, 2006).

## 8. Income Taxes

In 2002 the Company commenced using a Quebec Trust as part of its corporate structure. In 2006 the Quebec National Assembly passed into law Bill 15 which amended the Quebec Taxation Act and other legislative provisions. Bill 15 included retroactive changes to the Act that had 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 to Quebec tax created as a result of this retroactive legislation. The Company has recorded \$1.3 million in interest expense for the nine month period ended September 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:

Nine Months Ended September 30	2007	2006
Federal, provincial and state statutory income tax rates	<b>32.1%</b>	32.6%
Expected income tax expense	<b>\$ 20,124</b>	\$ 26,473
Changes in income tax expense resulting from:		
Jurisdictional tax rate differences	<b>2,346</b>	1,427
Changes in tax rates impacting future income tax balances	<b>(845)</b>	(2,373)
Quebec retroactive tax reassessment	–	15,455
Non-deductible interest from Quebec tax reassessments	<b>439</b>	1,232
Tax adjustments and reassessments relating to prior years	<b>(800)</b>	–
Other non-deductible items	<b>1,569</b>	1,080
Other	<b>(838)</b>	178
Actual income tax expense	<b>\$ 21,995</b>	\$ 43,472

## 9. Segmented Information

As at September 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

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	Production	Facility	Oilfield	Tubular	Plant	Total
<b>Three months ended September 30, 2007</b>	Services	Infrastructure	Transportation	Management and Manufacturing	Maintenance and Asset Management	Total
Revenue	<b>\$ 233,237</b>	<b>\$ 102,151</b>	<b>\$ 36,590</b>	<b>\$ 45,192</b>	<b>\$ 7,107</b>	<b>\$ 424,277</b>
EBITDA <sup>1</sup>	<b>27,692</b>	<b>9,738</b>	<b>(627)</b>	<b>8,301</b>	<b>534</b>	<b>45,638</b>
Amortization	<b>7,485</b>	<b>2,359</b>	<b>5,538</b>	<b>2,698</b>	<b>21</b>	<b>18,101</b>
Capital expenditures	<b>7,329</b>	<b>1,788</b>	<b>8,113</b>	<b>2,592</b>	<b>4,100</b>	<b>23,922</b>
Additions to goodwill	<b>(1,640)</b>	–	–	–	–	<b>(1,640)</b>
Goodwill	<b>169,072</b>	<b>28,900</b>	<b>158,192</b>	<b>46,332</b>	–	<b>402,496</b>
Total assets	<b>676,837</b>	<b>300,045</b>	<b>344,695</b>	<b>151,441</b>	<b>11,422</b>	<b>1,484,440</b>

	Production	Facility	Oilfield	Tubular	Plant	Total
Three months ended September 30, 2006	Services	Infrastructure	Transportation	Management and Manufacturing	Maintenance and Asset Management	
Revenue	\$ 223,659	\$ 95,630	\$ —	\$ 22,213	\$ —	\$ 341,502
EBITDA <sup>1</sup>	22,562	7,211	—	3,069	—	32,842
Amortization	6,548	2,119	—	619	—	9,286
Capital expenditures	10,238	2,432	—	767	—	13,437
Additions to goodwill	13,052	—	—	—	—	13,052
Goodwill	172,389	28,900	—	9,259	—	210,548
<b>Total assets</b>	<b>584,812</b>	<b>223,163</b>	<b>—</b>	<b>59,339</b>	<b>—</b>	<b>867,314</b>

	Production	Facility	Oilfield	Tubular	Plant	Total
<b>Nine months ended September 30, 2007</b>	Services	Infrastructure	Transportation	Management and Manufacturing	Maintenance and Asset Management	
Revenue	<b>\$ 763,476</b>	<b>\$ 303,051</b>	<b>\$ 123,528</b>	<b>\$ 148,307</b>	<b>\$ 10,397</b>	<b>\$ 1,348,759</b>
EBITDA <sup>1</sup>	<b>81,709</b>	<b>25,897</b>	<b>6,253</b>	<b>26,557</b>	<b>365</b>	<b>140,781</b>
Amortization	<b>22,692</b>	<b>6,451</b>	<b>16,428</b>	<b>7,814</b>	<b>21</b>	<b>53,406</b>
Capital expenditures	<b>24,452</b>	<b>5,577</b>	<b>19,443</b>	<b>8,528</b>	<b>5,245</b>	<b>63,245</b>
Additions to goodwill	<b>(4,117)</b>	<b>—</b>	<b>40</b>	<b>10</b>	<b>—</b>	<b>(4,067)</b>
Goodwill	<b>169,072</b>	<b>28,900</b>	<b>158,192</b>	<b>46,332</b>	<b>—</b>	<b>402,496</b>
<b>Total assets</b>	<b>676,837</b>	<b>300,045</b>	<b>344,695</b>	<b>151,441</b>	<b>11,422</b>	<b>1,484,440</b>

	Production	Facility	Oilfield	Tubular	Plant	Total
Nine months ended September 30, 2006	Services	Infrastructure	Transportation	Management and Manufacturing	Maintenance and Asset Management	
Revenue	\$ 658,665	\$ 305,889	\$ —	\$ 64,463	\$ —	\$ 1,029,017
EBITDA <sup>1</sup>	79,418	30,576	—	9,671	—	119,665
Amortization	16,499	5,526	—	1,568	—	23,593
Capital expenditures	23,391	5,028	—	1,621	—	30,040
Additions to goodwill	12,372	—	—	—	—	12,372
Goodwill	172,389	28,900	—	9,259	—	210,548
<b>Total assets</b>	<b>584,812</b>	<b>223,163</b>	<b>—</b>	<b>59,339</b>	<b>—</b>	<b>867,314</b>

### Geographic Segments

(unaudited)

(in thousands of Canadian dollars)

<b>Three months ended September 30, 2007</b>	Canada	United States	Total
Revenue	<b>\$ 311,576</b>	<b>\$ 112,701</b>	<b>\$ 424,277</b>
Property, plant and equipment	<b>408,672</b>	<b>47,004</b>	<b>455,676</b>
Goodwill	<b>379,389</b>	<b>23,107</b>	<b>402,496</b>
<b>Total assets</b>	<b>1,380,725</b>	<b>103,715</b>	<b>1,484,440</b>

Three months ended September 30, 2006	Canada	United States	Total
Revenue	\$ 249,338	\$ 92,164	\$ 341,502
Property, plant and equipment	161,867	38,954	200,821
Goodwill	184,592	25,956	210,548
<b>Total assets</b>	<b>766,702</b>	<b>100,612</b>	<b>867,314</b>

<b>Nine months ended September 30, 2007</b>	Canada	United States	Total
Revenue	\$ 996,211	\$ 352,548	\$ 1,348,759
Property, plant and equipment	408,672	47,004	455,676
Goodwill	379,389	23,107	402,496
Total assets	1,380,725	103,715	1,484,440

Nine months ended September 30, 2006	Canada	United States	Total
Revenue	\$ 766,583	\$ 262,434	\$ 1,029,017
Property, plant and equipment	161,867	38,954	200,821
Goodwill	184,592	25,956	210,548
Total assets	766,702	100,612	867,314

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 September 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

**Allan Cleiren**

Vice President, Finance

### CORPORATE HEAD OFFICE

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### BANKERS

Bank of Montreal  
Calgary, Alberta

### AUDITORS

KPMG LLP  
Edmonton, Alberta

### LEGAL COUNSEL

Bennett Jones LLP  
Edmonton and Calgary, Alberta

### TRANSFER AGENT AND

#### REGISTRAR

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Website: [www.computershare.com](http://www.computershare.com)

### STOCK EXCHANGE LISTING

Toronto Stock Exchange (TSX)  
Common Shares - FES