MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for Flint Energy Services Ltd. ("Flint" or the "Company") should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2007 and accompanying notes. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars.

Flint provides a range of integrated products and services for the oil and gas industry including: production services; construction; oilfield transportation; process equipment design and manufacturing; tubular management and plant maintenance services. Flint provides these products and services from 62 strategic centers in the oil and gas producing areas of western North America, from Inuvik in the Northwest Territories to Mission, Texas. Flint also is a provider of infrastructure construction management, module fabrication, and maintenance services for upgrading and production facilities in Alberta's oil sands sector.

Forward-Looking Information

This report dated as at March 17, 2008 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 2008 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, 2007 and other documents filed with Canadian provincial securities authorities and available to the public at www.sedar.com. The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be unduly relied upon. These statements speak only as of the date of this report. The Company does not undertake to update any forward-looking statement, whether written, or oral that may be made from time to time by the Company or on the Company's behalf, except as may be required under applicable securities laws. The forward-looking statements contained in this report are expressly qualified by this statement.

Consolidated Annual Financial Results

Flint's net earnings for the year ended December 31, 2007 were $50.3 million ($1.05 per common share – diluted) compared to $54.6 million ($1.41 per common share – diluted) in 2006. Revenue increased 24.6% to $1,813.8 million from $1,455.7 million in 2006, while gross margins were maintained at levels similar to 2006.

The increase in revenue is primarily due to acquisition of Transco Energy Services Ltd. ("Transco") late in 2006, an oilfield transportation and logistics and tubular management company with operations in British Columbia, Alberta, Saskatchewan and the Northwest Territories. This acquisition added two new operating segments, Oilfield Transportation and Tubular Management. Other portions of the acquisition included additional Fluid Hauling operations combined into the Company's Production Service operating segment and a joint venture in the North which has been combined with the Plant Maintenance and Other operating segment. In total, this acquisition generated revenue of $238.0 million in 2007, while in 2006, $25.0 million was generated as the acquisition closed on December 1, 2006. The increase in revenues did not translate into higher earnings before tax as the Oilfield Transportation operating segment generated $8.6 million in earnings before income taxes, depreciation and amortization ("EBITDA") in 2007 and a loss before taxes as a result of reduced drilling activity, competitive pricing, and restructuring costs.

In 2007 the Company through its 50% owned joint venture, Flint Transfield Services Limited ("FT Services") secured a $1 billion, 5 year maintenance contract with Suncor. The transition of the management of the contract occurred in stages with significant operations commencing in the fourth quarter of 2007. Together with Flint's other joint venture companies as reported in Plant Maintenance and Other, the companies generated combined revenues of $49.8 million in 2007.

Summary of Consolidated Financial Results

($ millions, except for per share data)	**2007**		2006	
Revenue	**$ 1,813.8**	**100.0 %**	$ 1,455.7	100.0 %
Direct costs	**1,476.0**	**81.4**	1,168.2	80.3
	337.8	**18.6**	287.5	19.7
General & administrative expense	**162.7**	**9.0**	125.1	8.6
Stock based compensation expense	**4.7**	**0.3**	3.6	0.2
Amortization	**72.0**	**4.0**	36.3	2.5
Interest	**28.8**	**1.6**	16.2	1.1
Earnings before income taxes	**69.6**	**3.8**	106.3	7.3
Income taxes	**19.3**	**1.1**	51.7	3.6
Net earnings	**50.3**	**2.8 %**	54.6	3.7 %
Per common share – basic	**1.06**		1.44	
Per common share – diluted	**1.05**		1.41	
Total assets	**1,494.9**		1,469.2	
Total long-term liabilities	**416.6**		441	
Funds provided by operations before changes in non-cash working capital [1]	**102.6**		94.0	

1 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.

Revenue

Revenue for the year ended December 31, 2007 was $1,813.8 million compared to $1,455.7 million in 2006. Increased activity was primarily due to the December 1, 2006 acquisition of Transco. In total the acquisition added revenue of $238.0 million in 2007 up from $25.0 million in 2006.

In 2007, the Company through FT Services, secured a $1 billion, 5 year maintenance contract with Suncor. The transition of the management of this contract occurred in stages with significant operations commencing in the fourth quarter of 2007. In 2007, Flint's proportional share of revenue from FT Services was $40.5 million.

Production Services revenue increased $84.9 million or 9.3% primarily due to the strength of natural gas drilling activity in the United States and the resulting demand for the Company's services.

In 2007, Flint's Facility Infrastructure operating segment secured additional multi-year projects totaling approximately $1 billion, with work on these contracts commencing late in 2007. Revenues in 2007 in this operating segment declined by $3.0 million to $423.5 million, as compared to 2006, due to the timing of completing some projects and the commencement of new ones.

Direct Costs

Direct costs for the year ended December 31, 2007 were $1,476.0 million compared to $1,168.2 million in 2006. The increase is a direct result of higher activity in 2007. Gross margin as a percentage of revenue declined to 18.6% in 2007 against 19.7% in 2006, primarily as result of the new operating segments of Oilfield Transportation and Plant Maintenance and Other. The Oilfield Transportation operating segment experienced a high level of volatility in both activity and in pricing due to its correlation to drilling activity. Margins in the Oilfield Transportation operating segment were between 16% and 17% throughout the year due to competitive pricing. These margins were significantly lower than what can be expected during more robust activity levels. The Plant Maintenance portion of the Plant Maintenance and Other operating segment earns margins below those of the other operating divisions. Plant Maintenance operations are derived from the FT Services joint venture. The gross margin approximates EBITDA of this division primarily due to the nature of work which does not require extensive capital investment and no significant general and administration costs were incurred in 2007.

General and Administrative

General and administrative expenses for the year ended December 31, 2007 were $162.7 million compared to $125.1 million in 2006. At 9.0% as a percentage of revenue, overhead costs increased from the 8.6% level experienced in 2006 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 required higher general and administrative costs during a period where they have been experiencing lower then anticipated revenue. This expansion in the Company's business line resulted in approximately $30 million of the $37.8 million increase in general and administrative expenses. The balance of this increase was due to increased administration required to support the higher level of activity in other operating segments.

Stock Based Compensation Expenses

Stock based compensation increased in 2007 to $4.7 million from $3.6 million in 2006 due to granting 910,500 stock options during the year.

Amortization

Amortization of property, plant and equipment for the year ended December 31, 2007 was $62.3 million compared to $33.9 million in 2006 as a result of adding assets through the Transco acquisition on December 1, 2006, the acquisition of Denmar Energy Services Ltd. ("Denmar") on July 4, 2006, and capital asset purchases of $80.5 million in the year.

Interest Expense

Interest expense for the fiscal year ending December 31, 2007 increased by $11.5 million primarily due to a greater utilization of the Company's operating line in 2007. For portions of 2006, the Company was not utilizing its operating lines due to the receipt of cash from a primary share offering in May 2006. These proceeds were not fully utilized until the acquisition of Transco in December 2006. Increased activity levels also required a use of cash to support working capital requirements. The 2006 interest expense included $4.2 million related to Quebec tax reassessments and in 2007 an additional $1.8 million was accrued on these assessments. The Company has entered final negotiations with the federal and provincial tax authorities and a portion of the assessed and accrued interest expense is expected to be reversed in 2008 upon finalization of the settlement.

Income Taxes

Income tax expense for the year ended December 31, 2007 was $19.3 million compared to $51.7 million in 2006. The 2006 tax expense included $15.5 million related to retroactive tax assessments for the years 2002 to 2005 from Quebec pursuant to the Quebec National Assembly passing into law Bill 15. Excluding the 2006 Quebec tax retroactive assessments, the 2006 effective tax would have been 32.2% as compared to 27.8% in 2007. The lower effective rate in 2007 was due to changes in tax rates impacting the future tax balances.

Consolidated Financial Position

Consolidated total assets increased in 2007 to $1,494.9 million at December 31, 2007 from $1,469.2 million at December 31, 2006. The increase in assets was due to an increase in working capital required to support the increase in operating activities. The proportional consolidation of FT Services' accounts added $12.5 million to current assets, of which most related to trade receivables. The Facility Infrastructure operating segment increased its working capital requirements as a result of an increase in revenue in excess of billing amounts as operations dealt with a backlog in invoicing due to increased efforts in managing a number of contracts. The United States operations also experienced an increase in current assets because of surplus cash generated from robust operations.

Consolidated total liabilities decreased by $21.4 million to $670.6 million at December 31, 2007 from $692.0 million at December 31, 2006, primarily as a result of a decrease in billings in excess of revenue and a reduction in future income tax liabilities and a decrease in long-term debt. Throughout the year, billings in excess of revenue fluctuated in the Facility Infrastructure operating segment based on the timing of project work and the provisions in contracts that dictate the timing of invoicing for certain costs. The current future income tax liability decreased due to a reduction in earnings in Facility Infrastructure, as a result of deferral of taxes through a partnership structure.

Cash increased by $20.8 million to $32.3 million at December 31, 2007 from $11.5 million at the end of 2006 due to surplus cash being generated in the United States operations as a result of robust activities throughout 2007.

Accounts receivable decreased by $54.6 million to $236.6 million at December 31, 2007 from $291.2 million at the end of the prior year. The decrease primarily resulted from customer payments received in the last few days of fiscal 2007.

Revenue in excess of billings and work-in-progress increased by $50.6 million to $234.3 million at December 31, 2007 from $183.7 million at the end of the prior year. The increase primarily resulted from higher activity levels in the fourth quarter relative to last year, and the timing of project billings on oil sands related work.

Inventory levels increased by $5.0 million to $51.3 million at December 31, 2007 from $46.3 million at the end of the prior year primarily due to a delay in shipping certain customer orders at the end of 2007 by J.W. Williams Inc. ("JW Williams"), Flint's United States oil and gas processing equipment manufacturer. The orders were shipped at the beginning of 2008.

Property, plant and equipment increased by $10.7 million to $460.6 million at December 31, 2007 from $449.9 million at the end of the prior year. In 2007, increases in land and buildings included the completion of the development of a new facility in Grande Prairie, Alberta which combined a number of Production Services offices into one location, completion of a new facility in Fort McMurray, Alberta, expansion of a manufacturing building in Casper, Wyoming, and completion of a 70 acre development to increase the capacity of modular assembly for the Facility Infrastructure operating segment. Equipment purchases were offset by amortization of other equipment in the year. Formal market appraisals were commissioned on Transco properties to finalize the purchase price adjustment for this acquisition. The appraised values on certain properties were higher than the original estimates resulting in an upward adjustment in land and buildings and a corresponding decrease in Goodwill.

Goodwill decreased by $10.3 million to $396.3 million at December 31, 2007 from $406.6 million at December 31, 2006 primarily due to higher appraised values on certain property as compared to the estimates made upon the purchase of Transco. Goodwill also decreased due to the changes in the United States/Canadian exchange rate. A portion of the Company's Goodwill is held by the Company's United States subsidiaries pursuant to acquisitions made by these subsidiaries in past years.

Long-term debt, including the current portion, decreased by $8.5 million to $368.5 million at December 31, 2007 compared to $377.0 million at the end of 2006. Long-term debt includes the utilized portion of the Company's revolving operating line, as this facility does not mature until November 30, 2009. The United States operations at the end of 2007 did not have any outstanding amounts on its revolving line of credit. In Canada, an increase in working capital was required resulting in higher utilization of the revolving operating line, while payments on capital leases, finance contracts, and vendor take backs offset the increase in debt. The Company has provided a first charge over all assets under a General Security Agreement as security for the revolving operating loans and the term loans. Also the Company has provided a general assignment of book debts, a first charge over all real property assets, pledged all shares of its subsidiaries and an assignment of insurance or security. The credit facilities require the Company to meet certain covenants. The Company was in compliance with these covenants at December 31, 2007 and 2006.

Capital stock increased by $7.2 million to $576.3 million at December 31, 2007 from $569.1 million at December 31, 2006 due to the exercise of 391,656 stock options during the year.

Consolidated Fourth Quarter Financial Results

Net earnings for the quarter ended December 31, 2007 were $9.6 million on revenue of $465.0 million compared to net earnings of $16.9 million on revenue of $426.6 million for the comparative quarter in 2006. Diluted earnings per share for the fourth quarter of 2007 decreased to $0.20 from $0.39 for the comparative quarter in 2006. Funds provided by operations before changes in non-cash working capital for the three-month period was $14.1 million compared to $33.4 million for the comparative period in 2006.

The reasons for the quarter's lower net earnings were a decline in margins combined with higher general and administrative, interest, and depreciation expenses. Fourth quarter consolidated gross margin of 15.4% was lower than the prior year's margin of 19.5% primarily due to the Oilfield Transportation and Tubular Management operating segments. Oilfield Transportation's margins were lower by 22% when comparing the fourth quarter of 2007 to the fourth quarter of 2006. This decline was due to lower activity levels and competitive pricing resulting in reduced revenue. Fixed operating costs in the Oilfield Transportation operating segment could not be reduced quickly enough to offset the impact of the lower revenue. The Tubular Management division accrued costs of $0.6 million to cover warranty claims and wrote off $1.2 million in obsolete inventory in the fourth quarter of 2007. The Plant Maintenance and Other operating segment earned margins in the 11.5% range as expected and had limited capital and general and administrative requirements.

Included in the 2007 fourth quarter general and administration expenses was $0.3 million of restructuring costs for the Oilfield Transportation operating segment. Tax audits for the years 2003 to 2005 were completed in the fourth quarter of 2007 resulting in tax reassessments, including interest. Overall fourth quarter 2007 general and administrative expenses were $1.9 million lower than the fourth quarter of 2006 as the Company continued to focus on balancing overhead costs in operating segments that were experiencing lower activity levels.

Amortization of property, plant and equipment of $16.3 million in the fourth quarter of 2007 was $4.9 million higher than the same period in 2006. In 2007, a full quarter of amortization on equipment acquired through the Transco acquisition was recorded while in 2006, only one month of amortization of equipment related to this acquisition was required.

Interest expense was $3.6 million higher in the fourth quarter of 2007 than the same period in 2006 as the Company did not utilize its operating lines for periods in 2006 due to the receipt of cash from a primary share offering in May 2006. The cash from the May 2006 and an additional primary share offering in November 2006 was fully utilized to partially fund the acquisition of Transco in December 2006. Increased activity levels in 2007 required a use of cash to support working capital requirements. Interest expense continues to have $1.6 million of interest accrued annually for the Quebec tax reassessment in 2006.

Quarterly Information

($ millions, except per share data)				**2007**				2006
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$ 465.0**	**$ 424.3**	**$ 421.8**	**$ 502.7**	$ 426.6	$ 341.5	$ 354.7	$ 332.8
Net earnings	**9.6**	**12.2**	**6.3**	**22.2**	16.9	12.9	6.0	18.8
Per common share-basic	**0.20**	**0.26**	**0.13**	**0.47**	0.39	0.33	0.16	0.56
Per common share-diluted	**0.21**	**0.25**	**0.13**	**0.46**	0.37	0.33	0.16	0.55

A number of factors contribute to variations in the Company's results between periods such as weather, customer capital spending, including drilling programs affected by oil and natural gas commodity prices, seasonal behaviors in customer spending such as plant shutdown work. The Company continues to strive to create the optimum portfolio of services to meet customer needs and maximize shareholder returns.

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

As Flint has United States operations, the Company's consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations in translating the revenues and expenses of its United States operations to Canadian dollars. In 2007, 25.1% (2006 – 25.2%) of the Company's business activity was in the United States.

Increases in revenue in the 2007 fourth quarter as compared to the 2006 fourth quarter were due to the addition of the Oilfield Transportation and Tubular Management operating segments late in 2006. The variability in revenue between quarters in 2007 was due to seasonality of certain operating segments such as in Oilfield Transportation.

Results of Operations

To facilitate the reporting of all joint venture companies, Flint modified its segmented reporting for the year ended in 2007 to combine three joint venture companies into one operating segment called Plant Maintenance and Other, replacing the Plant Maintenance and Asset Management segment. The new segment is comprised of FT Services, a 50% owned joint venture previously reported in Plant Maintenance and Asset Management operating segment; Mackenzie Valley Construction Ltd ("MVC"), a 49% owned incorporated joint venture formerly reported as part of the Production Services operating segment and S.R.P. North Ventures ("SRP"), a 33 1/3% owned joint venture formerly included in the Oilfield Transportation operating segment. The Company now reports operations under five operating segments, Production Services, Facility Infrastructure, Oilfield Transportation, Tubular Management and Manufacturing, and Plant Maintenance and Other. The segment reporting was applied retroactively with restatement of prior periods.

Annual consolidated revenue for the Company increased by 24.6% to $1,813.8 million as compared to the $1,455.7 million of revenue earned in 2006. As a direct result of the higher revenue, EBITDA increased by 7.8% to $175.1 million in 2007 from the $162.4 million earned in 2006.

Of the $358.1 million increase in revenue in 2007 from 2006, $138.3 million was from the Oilfield Transportation operating segment as there was twelve months of operations in 2007 from this segment as opposed to one month in 2006. The Tubular Management and Manufacturing operating segment increased revenue by $92.2 million due to a combination of twelve months of revenue in the Tubular Management division being reported in 2007 and because the United States manufacturing business, J.W. Williams, increased its production capacity in 2007 and was able to increase product sales as a result. Production Services operating segment's revenue was up $84.9 million over the prior year as robust gas drilling activity in the United States resulted in increased demand for the Company's services. Revenue increased by $45.7 million in the Plant

Maintenance and Other operating segment primarily due to securing a large maintenance contract with Suncor, which is offset by a decrease in infrastructure operating segment by $3 million.

Selected Segmented Annual Information

($ millions)		**2007**			2006	
Revenue by operating segment						
Production Services	**$**	**994.9**	**55.0 %**	$	910.0	62.5 %
Facility Infrastructure		**423.5**	**23.3**		426.5	29.3
Oilfield Transportation		**155.3**	**8.6**		17.0	1.2
Tubular Management and Manufacturing		**190.3**	**10.5**		98.1	6.7
Plant Maintenance and Other		**49.8**	**2.6**		4.1	0.3
Total	**$**	**1813.8**	**100.0 %**	$	1,455.7	100.0 %

($ millions)		**2007**			2006	
EBITDA[1] by operating segment						
Production Services	**$**	**101.8**	**58.1 %**	$	97.7	60.1 %
Facility Infrastructure		**30.7**	**17.5**		44.3	27.3
Oilfield Transportation		**6.3**	**3.6**		3.9	2.4
Tubular Management and Manufacturing		**32.5**	**18.6**		17.0	10.5
Plant Maintenance and Other		**3.8**	**2.2**		(0.5)	(0.3)
Total	**$**	**175.1**	**100.0 %**	$	162.4	100.0 %

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

Production Services

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

Revenue

Revenue from the Production Services operating segment for the year ended December 31, 2007 increased 9.3% to $994.9 million from $910.0 million in the prior year primarily due to activity levels in the United States. The most significant increases were experienced in West and Central Texas, and in the Rocky Mountain regions where gas drilling activity was at record levels. In Canada, a moderate increase in revenue was achieved despite lower drilling activity year-over-year. Increases were achieved from additional maintenance work on existing producing wells in Eastern Alberta and expansion of capabilities in the Fort McMurray area.

EBITDA

Production Services' EBITDA increased by 4.2% to $101.8 million in 2007 from $97.7 million in 2006 as a result of the higher revenue achieved. Further increases in EBITDA were curtailed due to lower overall margins in this operating segment as margins in the United States were negatively impacted in a few areas where satellite offices were set up to meet customer demands. In Canada, a $3.2 million GST recovery in the third quarter of 2007 partially offset the reduction in margins year-over-year.

Facility Infrastructure

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

Revenue

Revenue from the Facility Infrastructure operating segment for the year ended December 31, 2007 decreased 0.7% to $423.5 million from $426.5 million in the prior year. The year-over-year decrease in revenue was due to project timing with the substantial completion of one large project occurring in 2007 and the delay in the start up of new projects. Increased scope of work on the Long Lake project provided additional work, which mitigated further decreases in the operating segment's 2007 revenue. Significant contracts awarded in the year did not generate significant operating activities until later in 2007, which increased the backlog of work for this operating segment for 2008 and 2009.

EBITDA

Facility Infrastructure's EBITDA decreased by 30.9% to $30.7 million for the year ended December 31, 2007 from $44.3 million in 2006. The majority of revenue in 2007 was derived from activity on the Long Lake project and margins recorded on this project decreased as a result of cost expansion outside of approved scope. Under generally accepted accounting principles, no margins on the increased cost over approved scope are recorded until such time as the customer formally approves the scope change.

Oilfield Transportation

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

Revenue

The 2007 fiscal year was the first full year of Flint's operations in the Oilfield Transportation operating segment as it was acquired with the purchase of Transco on December 1, 2006. Revenue was $155.3 million for the twelve month period ending December 31, 2007, compared to one month of revenue earned in 2006 totaling $17.0 million. The drilling rig moving activities in this operating segment were closely correlated to drilling activity which declined in 2007 as compared to the two previous years. Therefore, the 2007 twelve month revenue was lower than the previous company's annual revenue. Revenue increased in the heavy haul division as compared to the legacy company's previous year's annual revenue as Flint expanded this division's equipment fleet of specialized transport trailers used to move large modules and other prefabricated equipment to oil sands projects in northeastern Alberta.

EBITDA

Oilfield Transportation's EBITDA for the twelve months of 2007 was $6.3 million while EBITDA for the one month period following the acquisition of Transco on December 1, 2006 was $3.9 million. The division was not able to reduce fixed operating costs rapidly enough to offset the lower activity levels experienced in 2007. EBITDA was negatively impacted in 2007 due to low drilling activity, competitive pricing, and restructuring costs incurred to reduce fixed overhead costs in future periods.

Tubular Management and Manufacturing

The Tubular Management and Manufacturing operating segment includes inspection, threading and refurbishment of drill pipe and production tubing, pipe storage facilities, and manufacturing of polyethylene pipe and gas processing equipment.

Revenue

The 2007 fiscal year was the first full year of Flint's operations in the Canadian portion of the Tubular Management and Manufacturing operating segment as it was acquired with the purchase of Transco on December 1, 2006. A full year of operating activity was included in both 2006 and 2007 for the United States manufacturing component of this operating segment, which is performed through J.W. Williams, a provider of gas processing equipment. Revenue increased by 94.0% to $190.3 million due to the inclusion of a full year of Canadian operations and due to increased sales of gas processing equipment in the United States. In the United States, J.W. Williams increased its manufacturing capacity by completing the expansion of its Casper, Wyoming facility in 2007 and opening a new facility in Odessa, Texas in late 2006.

EBITDA

Tubular Management and Manufacturing's EBITDA increased by 91.2% to $32.5 million for the year ended December 31, 2007 from $17.0 million in 2006. The increase was a result of the increased revenue from a full year of Canadian operations as well as an improved margin in the United States operations. The decreased EBITDA in the fourth quarter was primarily due to a provision of $0.6 million for warranty issues and a write off of $1.2 million for obsolete inventory being recorded.

Plant Maintenance and Other

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

Revenue

FT Services secured a $1 billion five year contact with Suncor in 2007. Most of the year was spent on start up activities on this contact; however, in the fourth quarter of 2007 significant maintenance operations commenced on two Suncor oil sands facilities which provided for the majority of the year-over-year increase in revenue in this operating segment from $4.1 million in 2006 to $49.8 million in 2007. Also contributing to the increase in 2007 revenues, was a full year of Flint's proportional share of SRP's revenue. In 2006, one month of SRP's revenue was included in this operating segment as this joint venture was acquired on December 1, 2006 as part of the Transco acquisition.

EBITDA

Plant Maintenance and Other EBITDA increased to $3.8 million in 2007 from an EBITDA loss of $0.5 million in 2006. The increase was due to the revenue and margin from the FT Services joint venture.

Liquidity and Capital Resources

The Company's principal sources of capital were cash flows from operations and borrowings under its senior credit facility. The Company's principal uses of cash were for the financing of working capital and capital expenditures. In 2006, the Company raised $242.2 million of capital net of share issuance costs through two primary share offerings. The major use of the capital raised was to fund two acquisitions: Denmar on July 4, 2006 and Transco on December 1, 2006. The Company's credit agreement was also amended and restated prior to the Transco acquisition to fund this transaction and replaced existing Transco debt with the Company's syndicated lending facilities, and provided increased capacity for working capital and capital spending requirements. In the first quarter of 2007, the Company increased the availability of its revolving operating line by $35.0 million to meet seasonal working capital requirements caused as a result of the increased scope of operations.

Selected Cash Flow and Capitalization Data

($ millions, except ratios)	**2007**	2006
Funds provided by operations before changes in non-cash working capital [1]	**$ 102.6**	$ 94.0
Cash provided by operating activities	**90.4**	24.2
Gross proceeds from primary share offerings	**–**	253.7
Proceeds from long-term debt	**123.6**	399.7
Long-term debt, at end of year (including current portion)	**368.5**	377.0
Ratios [2]		
Debt to total capitalization (%) [3]	**30.9**	32.7
Cash flow to interest bearing debt (%) [4]	**27.8**	24.9

1 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.

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

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

Cash Flow and Liquidity

Cash provided by operating activities for the year ended December 31, 2007 increased by $66.2 million to $90.4 million compared to $24.2 million for the prior year as the Company increased its focus on billing and collection of receivables during the period of increased activity.

At December 31, 2007, the Company's net working capital position was $324.5 million compared to $301.1 million at December 31, 2006. The increase in net working capital was primarily due to an increase in cash balances. The United States operations generated surplus cash in 2007 due to robust activity throughout 2007.

The Company decreased its long-term debt position (including current portion) by $8.5 million as at December 31, 2007 as compared to the balance at December 31, 2006. Long-term debt includes the utilized portion of a revolving operating line facility, as the facility does not mature until November 30, 2009. At the end of 2007 the United States operations did not require any drawings on its portion of the revolving line. In Canada, an increase in working capital requirements resulted in higher utilization of the operating line, while payments on capital leases, finance contracts, and vendor take backs offset the increase in debt. The Company increased its revolving operating line availability by $35.0 million to a total of $210.0 million Canadian and $18.0 million U.S. in the first quarter of 2007 to ensure availability to meet seasonal working capital requirements. The Company has the ability to request the expansion of borrowing capacity under the revolving operating loans to $250 million Canadian and expand term loan borrowing capacity to a maximum of $325 million Canadian with approval of the lenders.

In 2007, the Company incurred net capital expenditures totaling $66.3 million to expand its fleet and facilities and replace aging equipment, compared to $53.0 million in 2006. Included in net capital expenditures in 2007 were $14.2 million of proceeds on disposal of property, plant and equipment compared to $7.4 million of proceeds in 2006. In 2007, increases in land and buildings included the completion of the development of a new facility in Grande Prairie, Alberta which combined a number of Production Services offices into one location, completion of construction of a new facility in Fort McMurray, Alberta, expansion of a manufacturing building in Casper, Wyoming, and completion of development of 70 acres of land to increase the capacity of modular assembly for the Facility Infrastructure operating segment.

Capital Requirements and Capitalization

At December 31, 2007, the Company had obligations to repay within one year $16.0 million (2006 – $12.0 million) of long-term debt and fulfill $40.0 million (2006 – $32.7 million) of minimum operating lease payments for vehicles, office equipment, premises and construction equipment. The Company projects capital expenditures in 2008 to be in excess of $50 million net of proceeds from the sale of equipment being replaced by newer equipment. Capital expenditures are necessary to replace construction equipment, heavy trucks and vehicles as they near the end of their useful lives and when it becomes less economical to continue operating the units due to increasing maintenance costs. Although these capital expenditures may be necessary to achieve operating efficiencies, the Company has no obligation to incur them.

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

Contractual Obligations

($ millions)	Maturity				
	Less than 1 year	2 - 3 years	4 - 5 years	In excess of 5 years	Total
Long-term debt	$ 16.0	$ 135.7	$ 155.0	$ 61.8	$ 368.5
Operating leases	40.0	57.0	26.2	–	124.0
Total contractual obligations	$ 56.0	$ 193.5	$ 181.2	$ 61.8	$ 492.5

The Company increased its revolving operating line availability by $35.0 million in the first quarter of 2007 to meet seasonal working capital requirements. The Company has the ability to request the expansion of borrowing capacity under the revolving operating loans to $250 million Canadian and $18.0 million U.S., and to expand term loan borrowing capacity to a maximum of $325 million with the approval of the lenders. The Company has a $ 210.0 million Canadian ($175.0 million – 2006) and an $18.0 million U.S. ($18.0 million U.S. – 2006) revolving operating loan facility, which is included in long-term debt, as the facility matures on November 30, 2009. At December 31, 2007, the Company's debt position, including the current portion of long-term debt drawn against the credit facility, totaled $368.5 million compared to $377.0 million at the end of 2006.

In 2008, operating cash flows are expected to be the major source of funds from which the Company's debt repayment obligations, operating lease payment obligations and capital expenditure program will be funded.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2007, 47,560,450 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 incentive stock option plan. At December 31, 2007, 2,375,626 options were outstanding.

Accounting Policies

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

On January 1, 2007, the Company adopted the 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 had no material impact on the Company's net earnings or cash flows.

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 provides guidance on when financial assets, financial liabilities or non-financial derivatives are 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 this new standard, the Company has classified its cash and bank balances 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. The Company's accounts receivable, revenue in excess of billings, accounts payable and accrued liabilities approximate their fair values on a discounted cash flow basis because of the short-term nature of these instruments.

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 assets or liabilities 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 $2.1 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.

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.

Recent Accounting Pronouncements

Financial Instrument Disclosures

In March, 2007 the CICA issued Section 3862, Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These Sections are effective in the first quarter of 2008, and the Company is currently evaluating the impact on the Company's disclosure and presentation.

Capital Disclosures

In December 2006, the CICA issued Section 1535, Capital Disclosures. This Section establishes standards for disclosing information about an entity's objectives, policies, and processes for managing capital. This Section is effective in the first quarter of 2008, and the Company is currently evaluating the impact on the Company's disclosure and presentation.

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. This Section is effective in the first quarter of 2009, and the Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

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.

Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles (GAAP), as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As the International Accounting Standards Board currently has projects underway that should result in new pronouncements and since this Canadian convergence initiative is very much in its infancy as of the date of these statements, the Company has not yet assessed the impact of the ultimate adoption of IFRS on the Company.

Use of Accounting Estimates

In preparing the consolidated financial statements, various accounting estimates are made in applying the Company's accounting policies. These estimates require significant judgment on the part of management and are considered critical as they are important to the Company's financial condition and results. The following represents the estimates that management considers most critical to the application of the Company's significant accounting policies.

Amortization of Property, Plant and Equipment

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

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

Allowance for Doubtful Accounts Receivable

The Company performs ongoing credit evaluations of its customers and grants credit based upon the customer's past payment history and financial condition, taking into consideration anticipated changes in industry and economic conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations. The Company's experience with respect to the incurrence of bad debt losses has been within expectations and has generally been limited to a select number of specific customer situations. Given the cyclical nature of the North American oil and natural gas services industry and the risk associated with finding and producing hydrocarbons, a customer's ability to fulfill its obligations can change without notice.

Goodwill Impairment

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

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

Revenue and Cost Recognition

The Company's Production Services and Facility Infrastructure operating segments perform the majority of their projects under the following types of contracts: time-and-materials; cost-plus-fixed-fee; unit-price; and fixed price or lump sum. For these contract types, revenue is recognized using the percentage-of-completion method, measured by the percentage that incurred costs and units produced to date relative to total expected costs and units to be produced. Contract costs include all direct materials and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies, tools, and repair costs. General and administrative costs are charged to expense as incurred. Changes in project performance, project conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income that are recognized in the period in which such adjustments are determined. Provisions for estimated losses on all uncompleted contracts are made in the period in which such losses are determined. Claims for additional contract compensation are only reflected in revenue to the extent that realization is probable and can be reliably estimated. The Company's Oilfield Transportation, Tubular Management and Manufacturing and Plant Maintenance and Other segments recognize revenue and related expenses when services are rendered, goods are delivered or ownership transferred and collection of the revenue is reasonably assured. Revenue in excess of billings represents costs incurred and revenues earned in excess of amounts billed on uncompleted contracts. Contract advances are included in billings in excess of revenue.

Business Risks

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

Producer Capital Spending Levels

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

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

Foreign Currency

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

Interest Rates

In order to minimize the Company's exposure to fluctuating interest rates, the Company has structured its senior credit facility such that a significant amount of its long-term debt has fixed interest rates.

Operational Risk and Insurance

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

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

Safety Risk

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

Labor Supply Risk

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

Credit Risk and Reliance on Major Customers

The risk of losses from customer non-payment is minimized through the Company's credit granting policies and other procedures designed to limit the exposure to credit risk. As a result of such practices, the Company's bad debt expense has historically been minimal. Substantial portions of the Company's accounts receivable are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices. Management currently considers the risk of a significant loss to be remote. The Company's top ten customers are all well-known, publicly traded companies. The top ten customers of the Company accounted for approximately 58.6% of the Company's revenue for the year ended December 31, 2007 and the largest customer accounted for approximately 16.4% of such revenue. There can be no assurance that the Company's current customers will continue their relationships with the Company. The loss of one or more major customers, or any significant decrease in services provided to a customer, prices paid, or any other changes to the terms of service with customers, could have a material adverse effect on the profitability of the Company.

Fuel Prices

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

Legislation and Regulation

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

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

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

Environmental Liability Risks

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

Weather and Seasonality

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

Controls and Procedures

Disclosure Controls and Procedures

An evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted as of December 31, 2007, by and under the supervision of the Company's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined in Canada by Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared.

Internal Control Over Financial Reporting

The Company's management, including the CEO and the CFO, has evaluated the design of the Company's internal control over financial reporting ("ICFR") using the framework and criteria established in the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that the design of the Company's ICFR as of December 31, 2007, provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, with the following exceptions:

- In 2006 the Facility Infrastructure operating segment identified that the controls around revenue and cost capture, and related job costing required further enhancement. The control weaknesses in these financial processes creates a risk related to the accuracy of the revenue and cost figures for this operating segment. In 2007, the segment's senior management has taken a systematic approach to assessing the overall design and effectiveness of the segment's control environment and has engaged all levels of the division in the re-design of these processes and supporting controls.

  In 2007, management redesigned its internal financial reporting process, has implemented improved controls for interim end user computing tools, and continues to focus on enhancing controls in its job costing and project controls processes. The division also remains focused on transitioning all significant accounting transactions onto Flint's ERP application, JD Edwards.

- In 2007, Oilfield Transportation and Tubular Management operating segments' financial processes and controls were also assessed for design effectiveness. The review identified the requirement for implementation of standardized processes and enhanced controls for financial reporting and cost capture processes, along with the requirement for integrating with Flint's ERP application. The lack of consistent control implementation and system related controls also creates a risk related to accuracy of financial reporting for these segments. Management is focused on standardizing it financial processes and controls and is pursuing its strategy to integrate with JD Edwards. Processes and resources are being aligned accordingly.

For the December 2007 figures, operational and accounting management have completed a detailed review of results to compensate for financial control weaknesses.

Changes in Internal Control Over Financial Reporting

Other than the continuing impact of the corrective actions discussed above, there were no changes in the Company's ICFR in 2007 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to standardize processes and controls as it executes its Enterprise Resource Planning Systems implementation.

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.

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

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

Outlook

Continued strong global demand for crude oil led to record prices through the second half of 2007. This, in turn, resulted in increased demand for Flint's field services primarily in the heavy oil producing regions of northeastern Alberta and Saskatchewan. As well, there were record levels of capital investments for bitumen production in the Fort McMurray region of Alberta announced in 2007. Statistics Canada reported that $16 billion in capital was spent in 2007 on bitumen exploration and production in Alberta, with a projected $19 billion in capital spending for 2008. The Canadian Association of Petroleum Producers ("CAPP") estimates $140 billion in announced capital projects are planned over the next seven years.

Natural gas prices, which weakened in late 2006, remained flat throughout most of 2007 due to a combination of mild weather and high inventories of gas in storage. The Alberta Government also released its decision to increase royalties in late 2007. These factors led to a marked slowdown natural gas drilling in Canada in 2007. As a result, natural gas drilling activity in Canada was down by almost 30% compared to 2006. CAPP estimated conventional drilling expenditures were reduced by $5 billion in 2007. In contrast, conventional natural gas drilling in the United States remained strong throughout 2007 with over 1,750 active rigs throughout the year compared to an average of 1,668 in 2006. Flint's United States customers are currently forecasting 2008 expenditure levels similar to 2007. Flint management believes that the fundamentals

of the upstream conventional energy sector in western Canada will be dependent on the price of natural gas. Winter activity levels were stronger than industry forecasts and there have been some announcements of additional drilling programs for later in 2008 as natural gas prices are currently above $9 per mmBtu.

Flint's core businesses were positively impacted by strong capital spending in oil sands infrastructure and increased drilling in 2005 and 2006. These factors led to significant backlogs in Production Services' work that continued throughout 2007. Flint's Production Services division is seeing increased pipeline construction opportunities associated with oil sands development work, while the fluid hauling and pressure and vacuum services have also expanded with increased oil sands and heavy oil production in northeastern Alberta. Additionally, U.S. drilling activity continued to be strong throughout 2007, creating high demand for Flint's well production equipment and field production services resulting in a backlog of work for 2008.

Flint's Infrastructure Services operating segment largely completed work on the Long Lake oil sands project in late 2007. In 2007, Flint was also awarded contracts by Royal Dutch Shell for the Albian Sands froth treatment plant and by Suncor Energy for in-situ expansion projects, resulting in a $1 billion backlog of work for 2008 and 2009. Flint continues to participate in contractor selection processes for a number of oil sands projects in various planning stages.

The trend for major energy producers to outsource non-core activities continues to provide strong demand for Flint's integrated full service business model. In 2007, FT Services was awarded a five year maintenance contract in excess of $1 billion with Suncor Energy to provide asset management and maintenance services at Suncor's oil sands projects and its refinery in Sarnia, Ontario. FT Services will be bidding on other oil sands maintenance projects in the near future. Flint's Oilfield Transportation operating segment, has expanded its heavy hauling capabilities fourfold and is bidding on major contracts for oil sands module hauling work, which is expected to grow substantially in 2008 and beyond. Flint's Tubular Management and Manufacturing operating segment has benefited from heavy oil activity through its sucker rod and production tubing repair and refurbishment services.

During 2008, Flint expects to see continued growth in all divisions associated with heavy oil and oil sands development. U.S. Production Services and manufacturing services will continue to benefit from strong backlogs of work resulting from record drilling levels in 2007. The threat of a slowdown in the U.S. economy could affect overall demand for energy resulting in weaker energy prices and reduced demand for Flint's services. Flint anticipates any reduction in demand for its services resulting from weaker energy prices will be offset by oil sands project work and maintenance work, which is generally not directly impacted by short-term commodity price volatility.

Additional Information

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

March 17, 2008