

Flint Energy Services Ltd.

ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2007

Dated March 19, 2008

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All dollar amounts in this Annual Information Form ("AIF") are in Canadian dollars unless otherwise stated.

FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements, other than statements of historical fact, that address activities, events or developments that Flint Energy Services Ltd. ("Flint" or the "Corporation") or a third party expects or anticipates will or may occur in the future, including the Corporation's future growth, results of operations, performance and business prospects and opportunities, outlook regarding future prices of oil and natural gas and oil and gas industry activity including the effect of changes in commodity prices on oil sands activity, outlook regarding growth in the market for oil sands module hauling services, ability to complete strategic acquisitions and realize the perceived benefits of any acquisitions that are completed, expectations regarding continued outsourcing of services that Flint provides on the part of Flint's customers and Flint's outlook regarding the competitive environment it operates in, and the assumptions underlying any of the foregoing, are forward-looking statements. 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. These statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Corporation, including those discussed under "Risk Factors" and elsewhere in this AIF that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those 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 AIF should not be unduly relied upon. These statements speak only as of the date of this AIF. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities laws. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement.

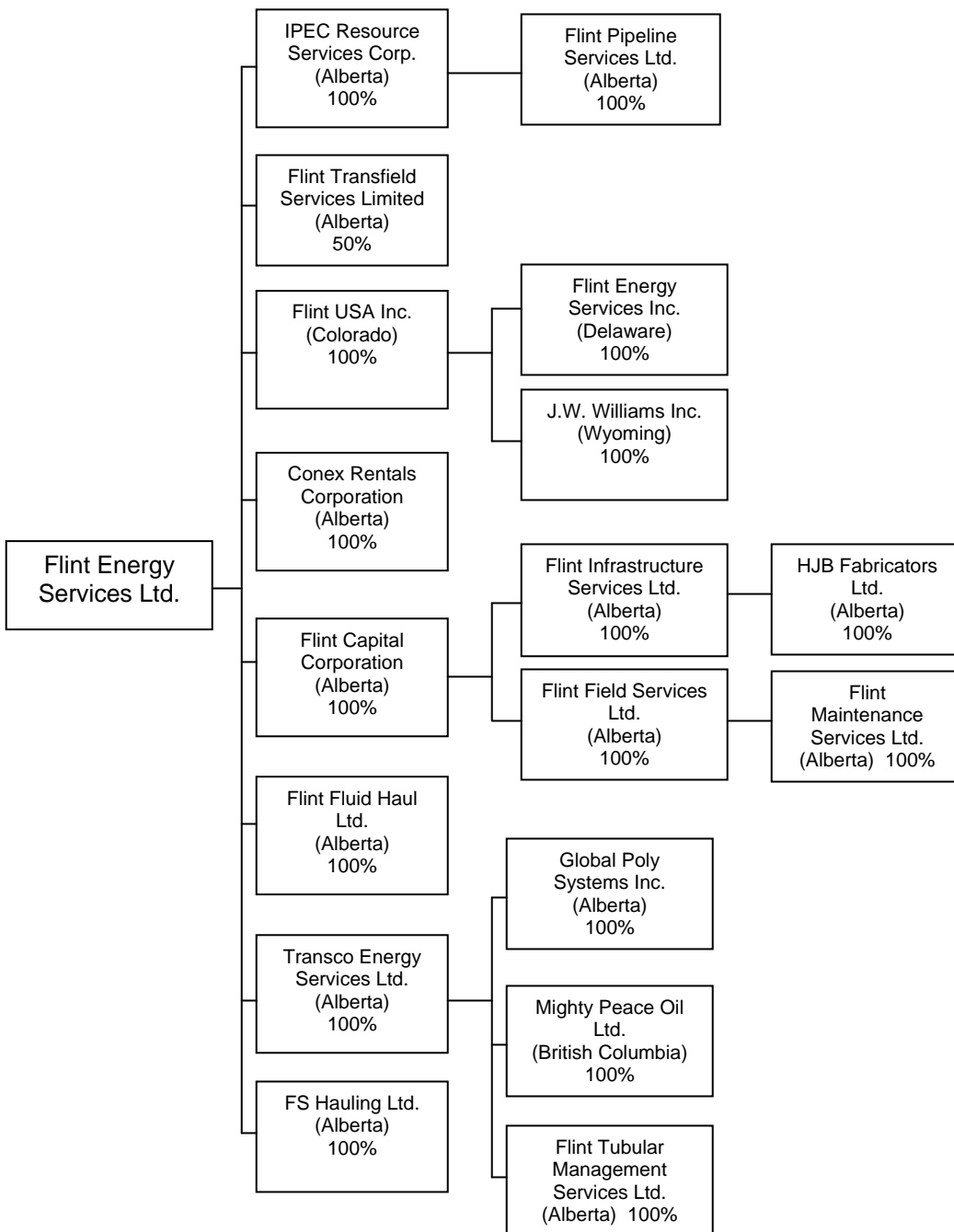
CORPORATE STRUCTURE

Incorporation and Organization

Flint was incorporated under the Business Corporations Act (Alberta) ("ABCA") in April 2001. It amended its articles on November 12, 1998 to change its name from HMW Services Group Incorporated to Flint Energy Services Ltd. It amalgamated under the ABCA with Reid's Construction Group Incorporated on April 1, 2001 and it became a public corporation following a share exchange transaction implemented by way of plan of arrangement under the ABCA with IPEC Ltd. on November 22, 2001. See "General Development of the Business".

The head office of the Corporation is located at Suite 700, 300 – 5th Avenue S.W., Calgary, Alberta T2P 3C4 and the registered office is 1000 ATCO Centre, 10035 – 105th Street, Edmonton, Alberta T5J 3T2.

The organization chart below sets forth Flint's material subsidiaries, all of which, except in the case of Flint Transfield Services Limited, are wholly owned, directly or indirectly, by the Corporation, and their respective jurisdictions of incorporation:



GENERAL DEVELOPMENT OF THE BUSINESS

The following is a summary of significant events in the development of the Corporation's business over the past three financial years. The Corporation's financial year end is December 31st.

Three Year History

Acquisitions and Investments

Flint has grown dramatically since 2000 primarily as a result of a number of acquisitions and investments. During the last three years, the most significant transactions were the August 2006 establishment of Flint Transfield Services Limited ("FT Services") and the December 2006 acquisition of Transco Energy Services Ltd. ("Transco").

FT Services is a 50% owned subsidiary of the Corporation and provides the North American asset management market with a service provider that the Corporation expects will capitalize on Transfield Services' leading operating and maintenance systems, processes, technologies and experience and the Corporation's extensive North American footprint and execution capabilities.

Transco, a privately held diversified energy services company with over 1,200 employees operating from over 40 locations throughout British Columbia, Alberta, Saskatchewan and the Northwest Territories, was acquired for cash consideration of approximately \$347.8 million.

Through its operating divisions and subsidiaries, Transco operated two complementary business segments: an oilfield transportation and logistics segment and a tubular management segment. For more information regarding the acquisition of Transco, refer to the Business Acquisition Report of the Corporation dated February 13, 2007, which was filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Flint has also completed several smaller acquisitions over the past three years, including the purchase of Mckenzie Valley Construction Ltd. in October 2005, 3-W Contactors in July 2006, Denmar Energy Services Ltd. in July 2006 and Prosafe Safety and Rescue Ltd. in April 2007.

Flint completed the foregoing acquisitions and investments in furtherance of its business strategy to provide an integrated suite of midstream production services to the energy industry across a broad geographic area. See "Description of the Business".

On October 31, 2005, the Corporation acquired 49% of the outstanding common shares of Mackenzie Valley Construction Ltd., a construction and oil and gas production and maintenance services company located in Inuvik, Northwest Territories, for cash consideration of approximately \$6.4 million.

On July 1, 2006, the Corporation acquired the assets of 3-W Contractors a private regional construction company with operations based in Texas, for cash consideration of \$1.2 million US.

On July 4, 2006, the Corporation purchased Denmar Energy Services Ltd., a privately held operation based in Bonnyville, Alberta, which provides small diameter pipeline construction, facilities construction and maintenance, fabrication and general mechanical and contract operator

services in the active in-situ and conventional heavy oil areas of eastern Alberta, as well as servicing of natural gas installations.

On August 17, 2006, the Corporation formed an operations and maintenance company called Flint Transfield Services Limited ("FT Services"), with Transfield Services Limited ("Transfield Services") of Australia. FT Services is a 50% owned subsidiary of the Corporation and provides the North American asset management market with a service provider that the Corporation expects will capitalize on Transfield Services' leading operating and maintenance systems, processes, technologies and experience and the Corporation's extensive North American footprint and execution capabilities. See "Description of Business" for further information.

On December 1, 2006, the Corporation acquired all of the outstanding shares of Transco, a privately held diversified energy services company with over 1,200 employees operating from over 40 locations throughout British Columbia, Alberta, Saskatchewan and the Northwest Territories. Through its operating divisions and subsidiaries, Transco operates two complementary business segments: (i) an oilfield transportation and logistics segment and (ii) a tubular management segment. See "Description of Business" for additional information. For more information regarding the acquisition of Transco, refer to the Business Acquisition Report of the Corporation dated February 13, 2007, which was filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

On April 1, 2007, the Corporation acquired certain assets from ProSafe Safety and Rescue Ltd. The assets acquired were oilfield industrial fire/shower combination units, a standalone shower unit, mobile treatment and breathe air trailers, engineer and office trailers, and portable light towers. Flint contracts out this equipment with qualified safety services personnel to customer job sites throughout Alberta. The equipment purchased from ProSafe Safety and Rescue Ltd. was incorporated into Flint's Production Services - Safety Services operating segment in 2007.

Trends

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 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. This led to a marked slowdown in shallow gas and coalbed methane drilling in Canada in 2007. As a result, conventional 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 approximate rig counts remaining in the 1,750 range and in 2006 it was approximately 1,668 rigs. Forecasts for 2008 suggest Canadian conventional drilling activity will continue to decrease as a result of soft natural gas prices and high inventory levels, particularly given the current United States economic slow down. U.S. conventional drilling activities are expected to slow in 2008. Flint's customers are currently forecasting expenditure levels similar to 2007. Flint management

believes that the fundamentals of the upstream energy sector in western Canada will stay weak until natural gas prices improve. This will continue to adversely impact Flint's Oilfield Transportation operating segment.

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 operating segment 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 and 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 operating segments associated with heavy oil and oil sands development. Flint's 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.

DESCRIPTION OF BUSINESS

Business of Flint

Flint is a leader in providing a full range of integrated midstream production services to oil and natural gas producers through 62 operations centers in western Canada, and the southern and Rocky Mountain regions of the United States. Flint also provides large construction project management and mid-inch diameter pipeline construction and installation services. By providing a broad range of high quality services through alliances with its major customers under the Flint brand, Flint believes it is well positioned to grow its revenue base. Existing customers are expected to continue to outsource services that Flint provides for oil and natural gas production activities; demand for which is anticipated to remain strong in the near future.

In late 2006, Flint expanded its service offerings from its two traditional operating segments: Production Services and Facility Infrastructure to include three new operating segments: Oilfield Transportation, Tubular Management and Manufacturing, and Plant Maintenance and Other. Each of these segments is described in more detail in the following section.

Production Services

Production Services, Flint's largest operating segment, provides a wide range of mid-stream field production services to oil and gas companies in Canada and the United States. The segment was augmented in 2007 with the addition of the mid-inch pipeline services previously included in Infrastructure Services, the fluid hauling business acquired through the acquisition of Transco in December 2006 and ProSafe Safety and Rescue Ltd., which was acquired in April 2007.

The range of services offered by the Production Services segment in Canada includes: well tie-ins; small diameter pipeline for gathering and transmission lines; mid-inch pipeline construction; field facility construction including mechanical, electrical and instrumentation services; field maintenance, shutdown and turnaround services; fluid hauling and pressure and vacuum services; and safety services. Production Services offered in the U.S., through Flint's wholly owned subsidiary Flint Energy Services Inc., include well tie-ins; small diameter pipeline construction for gathering and transmission lines; mid-inch pipeline construction; field facility mechanical construction; field maintenance; and fluid hauling. In addition, Production Services offered in the U.S. includes road and pad construction.

Small diameter pipeline construction for oil and gas well tie-ins typically involves construction and installation of shorter lines of plastic or steel pipe to connect recently drilled and completed wells into gathering systems. Production Services also constructs gathering systems and batteries, including installation of compressors in gathering systems. Mid-inch pipeline construction services are capable of installing longer transmission pipelines up to 30 inches in diameter.

Field facilities construction includes the fabrication and installation of process skid packages, process piping and mechanical equipment. Production Services provides electrical and instrumentation services, which include the design, fabrication, installation and programming of customized automated control systems for production and energy management operations. The segment has structural steel, piping, and module fabrication capacity in facilities located in Fort McMurray, Cold Lake, Bonnyville, Elk Point, Medicine Hat and Grande Prairie, Alberta.

Field maintenance, shutdown and turnaround services, include day-to-day maintenance services on existing oil and natural gas field facilities including electrical, instrumentation, mechanical, safety services, fluid hauling, and pressure and vacuum services. This operating segment provides a full range of production and maintenance services related to the ongoing operation of existing oil and natural gas production facilities. Production Services can also complete shutdown and turnaround maintenance services on smaller field facilities throughout western Canada and the United States. The Production Services operating segment also provides comprehensive maintenance programs. These services include the maintenance of mechanical equipment, electrical and instrumentation equipment and buildings, and also provides non-routine periodic maintenance services to its customers during facility upgrades and maintenance shutdowns.

Production Services provides initial process flow services to production facilities, including gathering systems and well tie-ins, wellsite facilities, roustabout crews, pipeline integrity digs and repairs, structural and process pipe welding, and site reclamation work, including facility and pipeline abandonment clean-up.

Flint markets its total maintenance services package to existing and prospective customers. Field facility maintenance is less dependent on the level of capital expenditures of oil and natural gas producers than some of Flint's other services, and Flint believes that by building on existing long-term relationships with customers, the maintenance services market represents a strong opportunity for growth.

Pressure and vacuum and fluid hauling services are provided for producing conventional and heavy oil wells using a fleet of specialized equipment primarily based in northeastern Alberta, Saskatchewan, the Northwest Territories and Utah. Flint provides well cleaning services through this operating segment, including the full range of pressure, vacuum, flushing, chemical and mechanical cleaning services for sump pumps, vessels, exchangers and tanks. Flint maintains a fleet of approximately 270 pressure and vacuum units. Fluid hauling services include moving crude oil, well effluents and other production fluids from producing wells to refining facilities or waste disposal sites. Flint maintains a fleet of over 60 fluid hauling units throughout western Canada and recently started operations in Utah in the United States.

Safety Services provides experienced and highly qualified personnel to supply a range of safety training, safety management, and safety equipment used on oil and gas production projects throughout western Canada. This business segment also provides safety and emergency response services to the oil and natural gas industry in western Canada. These services include the provision of safety supervisors, high angle rescue teams, emergency response teams, Petroleum Institute Training Service/Alberta Construction Safety Association auditors, health and safety programs and safety equipment. Available safety equipment includes gas detection and breathing air equipment. The ProSafe Safety and Rescue acquisition was folded into this segment in 2007.

Production Services operating segment accounted for 55 percent of combined company revenues in 2007 of which 66 percent was generated in Canada and 34 percent in the U.S. (in 2006 Production Services accounted for 63 percent of company revenues of which 70 percent was from Canada and 30 percent for the U.S.). Production Services' top ten customers accounted for 33 percent of total company revenue in 2007. Production Services employed approximately 5,858 employees from operating centers throughout western Canada and the U.S. for the year ended December 31, 2007. Flint markets its production services through existing customer alliances, as well as competitive bidding processes.

Facility Infrastructure

Facility Infrastructure provides construction services including project management, fabrication and installation of oil sands and heavy oil processing plants, and the assembly of oil and natural gas process piping and equipment in Canada. Flint's modular fabrication facilities included in this segment are located in the Sherwood Park, Cold Lake and Elk Point areas of Alberta. Installation operations are located in the Fort McMurray, Alberta oil sands region.

Previously, mid-inch pipe construction and J.W. Williams, Inc. ("J.W. Williams") manufacturing activities were reported in this segment. However in 2006, mid-inch pipeline construction was re-segmented into Production Services, while J.W. Williams' manufacturing was re-segmented into Tubular Management and Manufacturing.

HJB Fabricators, a trade name under which Flint operates in Sherwood Park, Alberta primarily fabricates oil sands modules. In 2007, Flint acquired and developed an additional 70 acres of land in Sherwood Park, which when added to the existing 23 acres, streamlined and expanded existing fabrication capacity. Completed modules are transported to job sites within the Fort McMurray, Alberta oil sands region. Once the modules arrive in Fort McMurray, Flint proceeds with general construction and installation of these modules at the job site. Flint believes that using its strategic locations for modular fabrication has allowed the Corporation to access building materials, attract and retain qualified and skilled labourers, control costs, and maintain a high standard of quality and safety.

Facility Infrastructure provides construction management services from concept, development, design, module fabrication, final installation and field construction management, and labour services. This operating segment provides single source, third party project planning and management and complete facility development, including site clearing and preparation, pouring of concrete foundations, oilfield road and lease construction, salvage, structural steel fabrication and erection of modular building structures. Third party management services within this segment include services related to estimating, procurement and risk management.

The major construction projects Facility Infrastructure worked on in 2007 include:

- OPTI-Nexen - Bitumen Recovery and Heavy Oil Processing Plant, Long Lake, Alberta
- OPTI - Utilities & Offsite, Long Lake, Alberta
- OPTI - Gasifier Unit, Long Lake, Alberta
- Suncor Energy - Millennium Coker Unit - Sulphur Recovery Unit, Fort McMurray, Alberta
- Suncor Energy - Firebag - Expansion, Fort McMurray, Alberta
- Suncor Energy - Firebag - Sulfur Recovery Unit, Fort McMurray, Alberta
- Albian Sands Oil Sands Project (Royal Dutch Shell) - Froth Treatment Plant, Fort McMurray, Alberta
- Suncor Energy - Firebag Phase III Bitumen Recovery Processing Plant, Fort McMurray, Alberta

Facility Infrastructure provided services to four customers who accounted for 100 percent of revenues in this operating segment in 2007. Facility Infrastructure employed approximately 2,000 workers in 2007 and contributed approximately 23 percent of company revenues in 2007, and 29 percent of revenues in 2006. Flint markets Facility Infrastructure services to large oil sands producers through its strategic customer alliances, as well as through competitive bidding processes.

Oilfield Transportation

Oilfield Transportation provides drilling rig moving, service rig moving and oilfield equipment hauling services for conventional oil and gas well drilling in western Canada. Additionally, through this operating segment, Transco Specialized offers oversized, overweight and module hauling services throughout northern and western Canada. Approximately 85 percent of revenues in this operating segment are from conventional drilling activity, while the balance is

from specialized hauling and related oil sands services. Oilfield Transportation services are provided from 18 operating locations, four of which contain pipe storage yards, throughout western Canada.

Flint maintains a fleet of approximately 350 rig moving tractors and approximately 875 trailers for rig moving and equipment hauling. Additionally there are approximately 80 off-road vehicles which can transport rigs and oilfield equipment into extremely remote drilling locations. Specialized hauling services, offered through Transco Specialized, has approximately 160 Goldhofer hydraulic trailer axles which can move 12-14 modules at a time. Transco Specialized also maintains a fleet of approximately 25 tractors and 14 conventional trailers with 40 to 96 wheels each. The specialized heavy hauling equipment is designed for transporting the large modules and other prefabricated equipment to oil sands projects in northeastern Alberta.

The majority of revenues from this segment are derived from oil and gas well drilling activity in western Canada and are directly influenced by the amount of capital spending Flint's customers commit to this activity each year. Transco Specialized revenues were primarily derived from conventional heavy hauling in 2007, however in 2008, the focus will shift to oil sands facility construction.

Flint markets these services under the brand names Transco and Mighty Peace Oil, through existing customer alliances and annual competitive bidding processes. Oilfield Transportation's top ten customers accounted for 41 percent of revenues in this operating segment. In 2007, Oilfield Transportation employed an approximately 780 people and contributed 9 percent of company revenues in 2007, and one percent of company revenues for the one month of revenue included in 2006.

Tubular Management and Manufacturing

The Canadian companies Flint Tubular Management Services Ltd., Global Poly Systems Inc. and the U.S. company J.W. Williams Inc. report through the Tubular Management and Manufacturing segment. These services are marketed both through Flint's corporate sales force and existing customer alliances.

Tubular Management provides complete tubular management services including pipe storage, drill pipe and production tubing inspection and repair services including drill pipe hardbanding, machining, threading and coupling replacement. They also provide the repair and refurbishment of sucker rods, the sale of new and used sucker rods and EZ Flow Lined Tubing. Tubular Management and Manufacturing services are offered through 8 locations in western Canada.

Global Poly Systems manufactures high and low density polyethylene pipe from its plant located in Edmonton, Alberta. This pipe is marketed through Flint's corporate sales group and independent distributors in western Canada. JW Williams provides design and fabrication of oil and gas processing equipment at 3 plants in the United States and distributes these manufactured products from an additional 4 locations.

Tubular Management and Manufacturing provided services to 10 key customers who accounted for 48 percent of revenues in this operating segment in 2007. The Tubular Management and Manufacturing operating segment employed approximately 720 people in 2007 and generated 10 percent of revenues in 2007 and 7 percent of revenues in 2006.

Plant Maintenance and Other

Plant Maintenance and Other includes a 50 percent owned company called FT Services. Additionally as of the fourth quarter 2007, this segment includes Flint's three jointly owned northern companies: Mackenzie Aboriginal Corporation; Mackenzie Valley Construction; and S.R.P. North Ventures Ltd.

FT Services, owned 50 percent by Transfield Services Ltd. of Sydney, Australia, provides the complete delivery of sophisticated management services for all routine maintenance, plant turnarounds, and sustaining capital projects for oil sands production facilities in Alberta, as well as oil refineries and related chemical, energy, electrical, and processing plants throughout Canada. In 2007, FT Services was awarded a five-year \$1 billion maintenance contract with Suncor Energy to deliver asset management and maintenance services at its oil sands facilities near Fort McMurray, Alberta and its refinery in Sarnia, Ontario. FT Services took over maintenance responsibilities at the oil sands facilities in September 2007 and it is anticipated FT Services will take over maintenance responsibilities at Suncor Energy's Sarnia, Ontario refinery later in 2008. FT Services markets its services directly to large oil sands producers, as well as oil refineries and related chemical, energy, electrical, and processing plants throughout Canada. Flint reports 50% of FT Services' revenues and expenses in its financial consolidation within this segment.

Flint's northern companies are jointly owned by aboriginal enterprises representing the Gwich'in and Sahtu first nations. These joint venture companies provide construction and maintenance services to a number of producers in the Mackenzie Delta and Norman Wells regions of the Northwest Territories.

Plant Maintenance and Other employed approximately 700 employees in 2007.

Employees

The Corporation employed approximately 8,200 (2006 – 7,720) hourly, and 1,500 (2006 – 1,293) salaried employees, for a total of approximately 9,700 employees on both a full-time and project basis, as of December 31, 2007. Under the "Description of Business", the number of employees for each operating segment has been identified and is included in this total. Executive officers, administrative and corporate support service employees have not been included in the "Description of Business" operating segment employee numbers, but are included in the total number of employees stated above.

Flint has collective bargaining agreements in place with the Christian Labour Association of Canada ("CLAC"), expiring in 2009, that govern its relationship with approximately 990 employees in Alberta as of December 31, 2007. Flint's management believes that labour relations are satisfactory.

Customers

Flint serves North America's major integrated, national and independent oil and natural gas and pipeline companies. Approximately 75 percent of Flint's revenue is generated in Canada, with the balance from the United States. Revenue from the Corporation's two largest customers, including their affiliated entities, accounted for approximately 16 percent and 10 percent, respectively, of total revenues for the year ended December 31, 2007 (13 percent and 13 percent for the year ended December 31, 2006).

Strategic Customer Alliances

Flint has established strong, comprehensive, and long-term strategic relationships with key customers in the energy and resources industries. The services that Flint provides under these enhanced business relationships generated approximately 58.6 percent and 52.7 percent of company revenues respectively in 2007 and 2006.

Flint's enhanced business relationships are an integral part of its business. These customer relationships have, in many instances, shaped Flint's acquisition activity, as these customers have encouraged Flint to move into new service or geographic areas to better serve them. Flint believes that these enhanced business relationships enable it to provide a complete set of services to customers by reducing the need for them to use competitors for one or a small number of individual services.

Flint has dedicated customer relationship managers for each of its enhanced business relationship customers. These relationship managers involve themselves in all phases of the customers' activities including planning, construction, commissioning and ongoing maintenance. Flint's enhanced business relationships also enable it to more efficiently manage its own manpower and equipment resources, resulting in more timely and cost-effective provision of services to customers. Under these relationships, customers obtain designated services from Flint in accordance with master service agreements. Each of these contracts is typically cancelable upon notice by either party, or can be renegotiated by either party with little or no notice. Flint believes that the possibility of enhanced business relationship customers terminating, or otherwise renegotiating, these agreements is mitigated by the following factors:

- Flint can demonstrate that its integrated service offerings provide customers with significant additional value;
- enhanced business relationship customers are increasingly moving away from using the services of a large number of individual vendors;
- Flint builds business partnering relationships by integrating its services into customers' production processes; and
- the size, complexity and interdependence of Flint's relationships with its customers make disengagement economically unappealing.

Sales and Marketing

Flint directs its corporate sales and marketing functions from its head office in Calgary, Alberta, its United States head office in Tulsa, Oklahoma and a sales office in Houston, Texas. Flint's operations personnel in 62 centers provide direct contact with Flint's customers to develop and secure work through existing customer relationships and alliances.

Flint's corporate sales and marketing group focuses its efforts on managing existing enhanced business relationship customers, expanding the number of services being used by all existing Flint customers, moving into additional strategic service lines and geographic areas, and developing new enhanced business relationship customers.

Flint will continue to build on its position as a leading branded provider of fully integrated midstream production services to the North American energy industry. Flint's branding strategy includes re-branding and integrating the businesses it acquires and ensuring that all operating segments provide high quality midstream production services consistent with the Flint brand. Flint also recognizes the brand equity it has gained through its acquisitions, and markets its J.W.

Williams subsidiary in the U.S. and its Transco, Transco Specialized, Global Poly Systems and HJB Fabricators brands in western Canada.

FT Services, Flint's 50% owned plant maintenance services company, is marketed under the FT Services brand through its own sales and marketing staff.

Competition

Flint competes on the basis of reputation, safety, quality, breadth of service, timeliness of delivery and price. Flint has numerous competitors who offer one or more of the services provided by Flint. Flint's management believes that none of these competitors offer all of Flint's services, none have Flint's broad geographic presence and none offer Flint's value enhancement approach. For each of its business segments and each geographic region in which Flint operates, management believes it holds a strategic advantage over its competitors based upon Flint's size, scope, and reputation for safety, quality and project execution.

Environmental Matters

Flint's operations are subject to various federal, provincial, state and local laws and regulations that govern, among other things, the handling of waste materials and dangerous goods, some of which are classified as hazardous materials. One of Flint's operations routinely handles and transports waste materials and dangerous goods. Consequently, the laws and regulations applicable to these operations include those relating to handling waste materials and the discharge of waste materials into the environment. In addition to liability for any noncompliance, these laws and regulations may expose Flint to sanctions for noncompliance with applicable environmental laws and regulations including administrative, civil and criminal penalties; revocation of permits and corrective action orders; and may, in certain circumstances, impose strict liability, rendering Flint liable for the conduct of, or conditions caused by, Flint or others. Furthermore, Flint may be liable for costs for environmental clean up at currently or previously owned or operated properties or off-site locations.

While Flint is not aware of any situation involving an environmental claim that would likely have a material impact on its operations, it is possible that an environmental claim with respect to one or more of Flint's current businesses or a business or property that one of its predecessors owned or used could arise and could have a serious impact. The adoption of new laws or regulations or the more vigorous enforcement of environmental laws or regulations could seriously harm Flint's operations by increasing expenses and limiting future business opportunities.

Flint has established guidelines and management systems to ensure compliance with environmental laws, rules and regulations. Flint has designated a compliance officer, the "Corporate Manager, Occupational Health, Safety and Environment", whose responsibility is to monitor regulatory requirements and the impact on Flint and to implement appropriate compliance procedures. The existence of these positions cannot, however, guarantee total compliance with environmental laws, rules and regulations. Management believes that operations are in substantial compliance with all material federal, provincial, state and local laws and regulations as they relate to the environment.

MATTERS RELATING TO THE SHARES OF THE CORPORATION

Market for the Common Shares

The common shares of the Corporation are listed and posted for trading on the Toronto Stock Exchange (the "TSX") and trade under the symbol "FES". On December 15, 2006, the Corporation effected a two-for-one stock split of the outstanding common shares, pursuant to which shareholders of record at the close of business on such date received one additional common share for each common share held on said date. The following table sets forth the market price ranges and the aggregate volume of trading of the common shares on the TSX for the periods indicated, restated on a post-split basis (all other references in this AIF to amounts of common shares of the Corporation are also presented on a post-split basis, unless otherwise stated).

2007	High (\$)	Low (\$)	Close (\$)	Volume (Common Shares)
January	\$ 30.18	\$ 24.99	\$ 25.25	1,286,244
February	\$ 27.99	\$ 25.51	\$ 27.00	1,563,024
March	\$ 27.49	\$ 24.88	\$ 24.99	1,919,464
April	\$ 27.56	\$ 24.78	\$ 27.56	1,913,774
May	\$ 28.42	\$ 26.62	\$ 27.00	3,437,645
June	\$ 28.73	\$ 26.84	\$ 28.50	6,817,656
July	\$ 30.69	\$ 28.60	\$ 28.60	2,618,539
August	\$ 28.85	\$ 24.50	\$ 24.98	2,347,144
September	\$ 27.72	\$ 25.00	\$ 26.74	4,017,397
October	\$ 27.08	\$ 24.10	\$ 24.33	4,179,803
November	\$ 24.15	\$ 19.45	\$ 19.65	3,046,466
December	\$ 20.04	\$ 17.45	\$ 18.08	2,287,637

Description of Shares

The Corporation has two authorized classes of shares, being common shares and preferred shares, and the ability to issue unlimited numbers of each class. Only common shares are issued and outstanding. The holders of common shares are entitled to one vote per share at meetings of shareholders, to receive dividends as declared by the Corporation, and to receive the remaining property and assets of the Corporation upon dissolution or winding up of the Corporation. The preferred shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the directors of the Corporation. Subject to the provisions of the ABCA, the directors of the Corporation may, by resolution, fix from time to time, before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to each series of the preferred shares.

Dividends

Flint has not paid dividends on its common shares, and it is the present policy of Flint not to pay dividends on its common shares. Flint does not intend to pay any dividends in the foreseeable future.

DIRECTORS AND EXECUTIVE OFFICERS

The following information is provided with respect to each director and executive officer of Flint as at the date of this AIF. The term of each director expires at the next annual meeting of the shareholders of the Corporation, which is scheduled to be held on May 12, 2008.

Board of Directors

Name and Province/State and Country of Residence ⁽¹⁾	Director Since	Principal Occupation During Past Five Years
John Geddes ^(2,4,5) Alberta, Canada	1998	Managing Director, SCF Partners (private equity firm)
Stuart O'Connor ⁽³⁾ Alberta, Canada	1998	President, Timber Ridge Capital Ltd. (private holding and advisory firm). Previously advisor to Schlumberger Information Solutions, a division of Schlumberger Limited (an oil service company)
John Bates ⁽³⁾ Oklahoma, United States	1998	President, Flint Resources Company, LLC (commercial construction & investments)
W. J. (Bill) Lingard Alberta, Canada	2005	President and Chief Executive Officer of the Corporation. Previously President, Nabors Drilling Ltd. and Chief Operating Officer of Nabors Canada LP
Douglas E. Swanson ⁽²⁾ Texas, United States	2005	Formerly Chief Executive Officer, Oil States International Inc. (oil and gas services)
C. Douglas Annable ^(3,5) Alberta, Canada	2007	President of CD Consulting Inc. (management consulting). Previously President of Energy & Mining Division AMEC Americas Limited (engineering, procurement and construction company)
T.D. (Terry) Freeman ⁽⁵⁾ Alberta, Canada	2007	Managing Director, Northern Plains Investment Growth Fund (private investment company) Previously Chief Financial Officer and Corporate Secretary of the Corporation

Notes:

- (1) On December 31, 2007, Messrs. Brian Butlin and Lyle Reid retired from the Board.
- (2) Member of the Corporate Compensation Committee of the Board of Directors of the Corporation (the "Board"). In 2007 the Corporate Governance and Compensation Committee of the Board was split into two committees, the Corporate Compensation Committee and the Corporate Governance Committee.
- (3) Member of the Audit Committee of the Board of Directors of the Corporation (the "Board"). Mr. Annable replaced Mr. Reid as a member of the Audit Committee.
- (4) Chairman of the Board.
- (5) Member of the Corporate Governance Committee of the Board of Directors of the Corporation (the "Board").

Executive Officers

<u>Name and Province/State and Country of Residence</u>	<u>Office with the Corporation</u>
W.J. (Bill) Lingard Alberta, Canada	President and Chief Executive Officer
Paul M. Boechler ⁽¹⁾ Alberta, Canada	Chief Financial Officer and Corporate Secretary of the Corporation
Wayne Shaw Alberta, Canada	Senior Vice President, Infrastructure Services
Keith Lambert Alberta, Canada	Senior Vice President, Production Services
Allan Cleiren ⁽²⁾ Alberta, Canada	Vice President, Finance
Bob Henderson Alberta, Canada	Vice President, Human Resources
Bryce Satter ⁽³⁾ Oklahoma, USA	President, Flint Energy Services Inc.
Shawn Carry ⁽⁴⁾ Alberta, Canada	Vice President, Oilfield Transportation

Notes:

- (1) Mr. Paul M. Boechler was appointed Chief Financial Officer and Corporate Secretary of the Corporation in March 2007 succeeding Mr. T.D. Freeman who retired as Chief Financial Officer and Corporate Secretary of the Corporation in March 2007. Mr. Paul M. Boechler was previously the President, Flint Energy Services Inc. in the United States.
- (2) Mr. Allan Cleiren resigned as Vice President, Finance of the Corporation on March 10, 2008. Mr. Cleiren joined Flint as Vice President, Finance in 2005, prior thereto Mr. Cleiren was the Senior Corporate Controller and Secretary for Con-Force Structures Limited (a construction and manufacturing company).
- (3) Mr. Bryce Satter was appointed President, Flint Energy Services Inc. in March 2007 succeeding Mr. Paul M. Boechler.
- (4) Mr. Shawn Carry was appointed Vice President, Oilfield Transportation in October 2007 upon the retirement of Mr. Tim O'Brien, Senior Vice President of Oilfield Transportation and Tubular Management.

Based on enquiries made by the Corporation, as a group as of the date hereof, the directors and executive officers of Flint beneficially own, directly or indirectly, or exercise control or direction over 12,875,357 common shares, representing 26.9 percent of the issued and outstanding common shares of Flint. In addition, as a group as of the date hereof, the directors and executive officers of Flint hold options to purchase an additional 1,414,996 common shares of the Corporation, resulting in the directors and executive officers owning or exercising control or direction over 3.0 percent of the common shares on a fully diluted basis.

Certain directors of the Corporation are associated with other companies, which may give rise to conflicts of interest. In accordance with the ABCA, directors who have an interest in a material contract or a material transaction, whether made or proposed, with the Corporation are required, subject to certain exceptions, to disclose the nature and extent of the interest. A director required to disclose such interest must abstain from voting on any resolution to approve the contract or transaction, except as otherwise permitted by the ABCA. In addition, each director is required to act honestly and in good faith with a view to the best interests of the Corporation.

The following paragraphs describe the background and principal occupations during the past five years of each of the executive officers of Flint.

W.J. (Bill) Lingard, President and Chief Executive Officer - Bill Lingard obtained a Bachelor of Engineering degree from Memorial University in St. John's, Newfoundland in 1982. He began his career with Halliburton's Otis Engineering Division in 1982 and spent 18 years in technical and management positions. His roles included East Coast Operations Manager and management positions in Houston, Texas, and in August 1994 he became Country Manager of Halliburton Canada. In January 2000, Bill joined Bonus Well Servicing as the Vice President, Operations and became Chief Operating Officer of Enserco Energy Service Company Inc. ("Enserco"), the entity resulting from a merger with Tetonka Drilling Inc. and H&R Drilling Ltd. Following Enserco's sale to Nabors in April 2002, Bill became President of Nabors Drilling Ltd. and Chief Operating Officer of Nabors Canada LP. In January 2005, Bill joined Flint Energy Services Ltd. as President and Chief Executive Officer. He also sits on Flint's Board of Directors and is the Chairman of Flint Transfield Services Limited. Bill also sits on the Southern Alberta Institute of Technology (SAIT) Board. His industry roles have included positions as Chairman of the Petroleum Services Association of Canada (PSAC) in 2000 and Chairman of the Executive Oilmen's Association in 2004.

Paul M. Boechler, Chief Financial Officer and Corporate Secretary - Paul Boechler has 27 years of experience in finance and accounting since graduating from the University of Saskatchewan with a Bachelor of Commerce degree, and is a Chartered Accountant. He spent 17 years in the exploration and production side of the resource industry in various senior financial management positions and three years in oilfield construction, before joining Flint as Vice President of Finance with the acquisition of IPEC Ltd. in November 2001. Paul has held the position of President of Flint Energy Services Inc., the Corporation's United States subsidiary, from 2004 to 2007. In March 2007, Paul was appointed Chief Financial Officer and Corporate Secretary of the Corporation.

Wayne Shaw, Senior Vice President, Infrastructure Services - Wayne Shaw has 24 years experience in the oil and gas and petrochemical industries. He obtained a Bachelor of Science (Applied Mathematics) degree from the University of Western Ontario in 1984. From 1984 to 1996, Wayne worked for Imperial Oil Limited in construction project alliance management, strategic alliance management, total quality management and contractor efficiency. In 1996, Wayne became President of Procall Management Ltd., which specialized in capital project management, performance measurement programs and strategic relationship development. Since 2001, Wayne has led the construction business unit of Flint in the of capacity Senior Vice President, Infrastructures Services.

Keith Lambert, Senior Vice President, Production Services - Keith Lambert began his career with Flint in 1992 working in a number of increasingly senior management positions in Production Services in western Canada. Most recently, Keith held the position of Vice President of Flint's Production Services segment. Keith is a professional engineer and holds a Bachelor of

Science degree from the University of Alberta. Keith was appointed Senior Vice President of Production Services in January 2007.

Bob Henderson, Vice President, Human Resources – Bob Henderson graduated from the Business Administration Program at Okanagan College in 1985 and the Masters of the Business Administration Program through Athabasca University in 2003. From 1997 to 2000, he headed up Halliburton's Canadian Human Resource team. Bob then moved on to head Nabor's Canadian Human Resource Team from 2000 to 2006. Bob Henderson joined Flint in April 2006.

Bryce Satter, President of Flint Energy Services Inc. – Bryce started with Flint Energy Services Inc. (a wholly owned U.S. subsidiary of Flint Energy Services Ltd.) in Billings, Montana in 1980 as an accountant and over a period of years advanced to the position of Controller. In 1995, Bryce was promoted to Regional Manager and in 2002 became the Secretary and Treasurer of Flint Energy Services Inc. In 2007, Bryce was promoted to President of Flint Energy Services Inc. Bryce holds a Bachelor of Science Degree in Accounting from the University of Montana.

Shawn Carry, Vice President, Oilfield Transportation – Shawn has over 20 years of experience in the transportation business starting with Joyline Inc., a private trucking operation that was acquired by Transco in 2004. Shawn has held several management positions including President of Joyline, Controller of Joyline and Vice President of Tubular Management at Flint.

AUDIT COMMITTEE INFORMATION

The mandate of the Audit Committee of the Board (the "Audit Committee") is to assist the Board in fulfilling its responsibilities by reviewing the financial information provided to the Corporation's shareholders and other interested parties, the financial control systems established by management and the audit process. The Audit Committee has a written charter that sets out its mandate and responsibilities. The Audit Committee's Charter is set forth in Schedule "A" to this AIF.

The Audit Committee is currently comprised of the following three members, all of whom are independent and financially literate directors, as those terms are defined in Multilateral Instrument 52-110 - *Audit Committees*, of the Canadian Securities Administrators:

Stuart O'Connor has been a director of Flint since 1998 and is Chairman of the Audit Committee. Stuart is the President of Timber Ridge Capital Ltd., a holding and advisory firm. Prior to April 2004, he was an advisor to Schlumberger Information Solutions ("SIS"), a division of Schlumberger Limited, a position he held since 2002. Prior thereto he held various positions with SIS, including Vice President of SIS responsible for Merak Projects Ltd. ("Merak"), a software developer focused on the national and international oil and gas industry. Preceding his position as Vice President, Stuart was the Chief Executive Officer and President of Merak. Prior thereto, Stuart held various other positions with Merak, including Chief Financial Officer. Before his involvement with Merak, Stuart practiced corporate and securities law, first as an associate and then as a partner, with Bennett Jones LLP, a national law firm. Stuart is also a director or officer of various other companies. Stuart holds a Bachelor of Science (Chemical Engineering) degree from the University of Calgary and a Bachelor of Laws degree from Queen's University in Kingston, Ontario.

John Bates has been a director of Flint since 1998. John is the President of Flint Resources, LLC and several of its subsidiaries, which are engaged in commercial construction,

real estate development and portfolio management in the United States. Flint Resources, LLC and its subsidiaries are not related to Flint Energy Services Ltd. Since 2001, John has been a director of Arvest Bank in Tulsa, Oklahoma. John is a former U.S. Naval Officer and Certified Public Accountant. He holds a Bachelor of Business Administration degree from the University of Oklahoma and did post graduate work in accounting at the University of Tulsa.

C. Douglas Annable has been a director of Flint since February 2007 and has been appointed as an interim member of the Audit Committee. Doug is currently the President of CD Consulting Inc. Mr. Annable recently served as President of the Energy and Mining Division of AMEC Americas Limited, where he was responsible for managing the energy and mining operations in North and South America from 2003 to 2006. AMEC Americas Limited provides engineering and project management services on large contracts within the oil and gas sector, including oil sands, petrochemical, power generation, and mining operations. Doug holds a Bachelor of Science and Masters of Science in chemical engineering from the University of Saskatchewan and is a member of APEGGA.

The Audit Committee met nine times during fiscal 2007. The Audit Committee meetings include, whenever appropriate, executive sessions with the Corporation's management, as well as the Corporation's auditors without the presence of the Corporation's management. During 2007, the Audit Committee, among other things:

- reviewed the Corporation's annual and interim financial statements, accompanying management's discussion and analysis and certain other required public disclosure documents;
- made recommendations to the Board regarding the appointment and compensation of independent external auditors;
- reviewed the nature and scope of the annual audit;
- oversaw and met with the Corporation's external auditors and reviewed management's response to any issues arising from the annual audit of the Corporation;
- oversaw the Corporation's financial reporting procedures and reviewed the internal accounting control systems for the Corporation with the auditors and management; and
- reviewed the effectiveness of the Corporation's systems to manage business risks.

KPMG LLP has been the Corporation's auditor since the Corporation's formation on April 9, 1998. The following table provides information about the fees billed to the Corporation for professional services rendered by KPMG LLP during 2007 and 2006:

	2007	2006
Audit Fees ⁽¹⁾	\$750,381	\$1,223,539
Audit-Related Fees ⁽²⁾	Nil	11,550
Tax Fees ⁽³⁾	76,123	184,260
All Other Fees ⁽⁴⁾	Nil	Nil
Totals:	\$826,504	\$1,419,349

Notes:

- (1) Audit fees consist of fees for the audit of the Corporation's annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees consist of fees for assurance services related to the review of quarterly and annual financial statements and the Corporation's preparedness for proposed amendments to Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, of the Canadian Securities Administrators, relating to new internal control reporting requirements.
- (3) Tax fees consist of fees for tax compliance services, tax advice and tax planning.
- (4) Other fees consist of fees for products and services other than the services reported under Notes (1), (2) and (3) above.

The Audit Committee has adopted a policy for approval of external auditor services. The policy prohibits the external auditor from providing specified services to the Corporation and its subsidiaries.

The engagement of the external auditor for a range of services defined in the policy has been pre-approved by the Audit Committee. If an engagement of the external auditor is contemplated for a particular service that is neither prohibited nor covered under the range of pre-approved services, such engagement must be pre-approved. The Audit Committee has delegated the authority to grant such pre-approval to the Chairman of the Audit Committee for services where the aggregate fees are estimated to be less than or equal to \$25,000. In such cases, the Audit Committee is required to be informed of the service at its next meeting. For services where the aggregate fees are estimated to be greater than \$25,000, the pre-approval must be granted by the Audit Committee.

LEGAL PROCEEDINGS

In the 2007 calendar year and as of the date of this AIF, the Corporation is not involved in nor was any of its property the subject of, any significant legal proceedings.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described in the following paragraphs, there is no material interest, direct or indirect, of any director or executive officer of the Corporation, any direct or indirect shareholder of the Corporation who beneficially owns, or who exercises control or direction over, more than 10 percent of the outstanding common shares of the Corporation or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect Flint. Details of related party transactions are contained in the notes to the Corporation's audited financial statements for the year ended December 31, 2007.

As referred to above in this AIF under the headings "General Development of the Business", on December 1, 2006, the Corporation acquired (the "Acquisition") all of the issued and

outstanding shares (the "Transco Shares") of Transco. The final aggregate purchase price of the acquisition totaled \$347.8 million subject to final closing adjustments, including adjustments for working capital and certain post closing vendor indemnities. In addition, on closing the acquisition, \$121 million of Transco's debt was repaid by the Corporation.

Immediately prior to the acquisition, SCF-V, L.P. held approximately 66.3% of the issued and outstanding Transco Shares and SCF-IV, L.P. held approximately 24.8% of the issued and outstanding common shares of the Corporation. At such time, SCF-V, L.P. and SCF-IV, L.P. were, and are at present, under common control. At such time, Mr. Geddes (i) was a director of Transco, (ii) was, and is at present, a director of the Corporation and (iii) was, and is at present, a Managing Director of SCF Partners, an entity that controls, directly or indirectly, SCF-V, L.P. and SCF-IV, L.P. Mr. Geddes excused himself from any and all deliberations concerning the Transco acquisition.

SCF-V, L.P. received the same per-share consideration as the other Transco security holders in relation to the Acquisition, and accordingly received total consideration of approximately \$220.7 million. This was comprised of \$144.7 million in cash and 1,245,568 common shares (pre-stock split) of the Corporation, which 1,245,568 common shares (pre-stock split) had an aggregate market value of \$76.0 million based on the closing price of the common shares on the TSX on December 1, 2006, the closing date of the Acquisition. In addition, the Corporation caused Transco to repay to SCF-V, L.P. at the closing of the Acquisition, shareholder loans made by SCF-V, L.P. to Transco in the principal amount of \$24.1 million, by way of set-off of the exercise price, in the amount \$24.1 million, of certain warrants held by SCF-V, L.P. which entitled it to purchase Transco Shares. The Corporation also caused Transco to repay to SCF-V, L.P. in cash at closing, interest on such principal amount in the amount of \$4.1 million.

For more information regarding the Acquisition, refer to the Business Acquisition Report of the Corporation dated February 13, 2007, which has been filed on SEDAR at www.sedar.com.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares is Computershare Trust Company at its principal office in Calgary, Alberta.

MATERIAL CONTRACTS

There are no contracts, other than contracts entered into in the ordinary course of business, that are material to Flint that were entered into within the most recently completed financial year, or that were entered into before the most recently completed financial year but are still in effect, other than the Pre-Acquisition Agreement dated October 18, 2006 between the Corporation and Transco pursuant to which the Corporation agreed to make an offer to the Transco security holders to acquire all of the issued and outstanding shares of Transco. For more information relating to the acquisition of Transco, refer to "General Development of the Business" and "Interest of Management and Others in Material Transactions".

INTERESTS OF EXPERTS

KPMG LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

RISK FACTORS

The risk factors described below are not the only ones facing Flint and should be carefully considered by readers, including investors considering a purchase of securities of Flint, along with all other information set forth in this AIF.

Flint's business is dependent on the expenditures of oil and natural gas producers, which are primarily driven by the current and anticipated prices of oil and natural gas.

The demand for Flint's services is primarily influenced by current and anticipated commodity prices, especially those of oil and natural gas. Weakness in commodity prices may cause Flint's customers to reduce their capital expenditures and expenditures on production and remedial work, thereby reducing the demand for Flint's services.

Historically, the markets for oil and natural gas have been volatile, and they are likely to continue to be volatile. Fluctuations in oil and natural gas prices may result from relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and other factors that are beyond Flint's control, including:

- worldwide and domestic supplies of oil and natural gas;
- government regulation of energy and resource companies;
- terrorist activity;
- weather conditions;
- the price and availability of alternative fuels;
- the availability of pipeline capacity;
- domestic and foreign governmental regulations and taxes;
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil prices and production controls;
- political instability or armed conflict in oil producing regions; and
- the overall economic environment.

These factors make it extremely difficult to predict future oil and natural gas price movements with any certainty. Declines in oil and natural gas prices could reduce the amount of oil and natural gas that Flint's customers can produce economically, and, as a result, the demand for Flint's products and services could be materially diminished. Any slowdown of this nature could significantly and adversely affect Flint's business.

Anticipated major projects for the oil sands may not materialize.

Notwithstanding forecast estimates regarding new investment and growth in the Canadian oil sands, planned and anticipated projects in the oil sands may not occur. The underlying assumptions on which the projects are based are subject to significant uncertainties, and actual investments in the oil sands could be significantly less than estimated. Projected investments and new projects may be postponed or cancelled for any number of reasons, including but not limited to:

- changes in the perception of the economic viability of these projects;
- changes to government regulations or environmental standards;
- shortage of skilled workers;
- cost overruns on announced projects;

- shortage of pipeline capacity to transport production to major markets;
- lack of sufficient governmental infrastructure to support growth;
- environmental laws and regulations may expose the Corporation to liability arising out of its operations or the operations of its customers; and
- unanticipated short-term shutdowns of customers' operating facilities may result in temporary cessation or cancellation of projects in which Flint is participating.

Flint's industry is highly competitive and there are relatively few barriers to entry.

The midstream production services industry is competitive, and there are relatively few barriers to entry for companies wishing to offer one or a number of the services that Flint provides. Flint will compete against several large companies that have significant financial resources. In addition, many of the services Flint will provide are offered by smaller companies that operate in niche areas and that do not face significant barriers to entry. Flint's ability to generate revenue and earnings will depend upon Flint's ability to enhance and maintain its strategic customer alliances, to win bids and successfully complete awarded projects within estimated times and costs, and to obtain call-out work on a regular basis. Assurances cannot be given that, in this competitive environment, Flint will continue to grow at the same rate that it has in the past.

Flint may not be able to attract or retain the management personnel or skilled labour necessary to remain competitive in its industry.

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

Flint has indebtedness that could affect its financial position and limit its ability to grow and compete.

Flint's consolidated indebtedness, as at December 31, 2007, was \$368.5 million, consisting of current and long-term portions of \$16.0 million and \$352.5 million, respectively. Such indebtedness could:

- require Flint to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow for funding working capital projects, acquisitions, capital expenditures and other general corporate purposes;
- increase Flint's vulnerability to general adverse economic and industry conditions and adverse developments in its business;
- limit Flint's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- restrict Flint from making strategic acquisitions or exploiting business opportunities;
- place Flint at a competitive disadvantage compared to its competitors that have less indebtedness; and
- limit, among other things, Flint's ability to borrow additional funds or dispose of assets.

Flint has pursued, and will continue to pursue, strategic acquisitions. Flint's business may be affected if it cannot effectively integrate acquired operations.

Historically, Flint has grown through acquisitions, and a component of Flint's business strategy going forward includes acquiring complementary businesses in the future. Acquisitions involve a number of risks including:

- the diversion of management's attention;
- the need to integrate acquired operations; and
- an increase in Flint's expenses and working capital requirements.

Any of these factors could affect Flint's ability to achieve anticipated benefits from any such acquisitions. Flint cannot provide assurances that it will be able to successfully integrate acquired businesses and assets into its operations.

Flint's business involves certain operating risks and its insurance may not be adequate to cover all insurable losses Flint might incur in its operations.

Flint's operations are subject to many hazards and risks, including the following:

- damage to facilities;
- damage to the environment; and
- losses arising from accident or damage caused by Flint's employees or equipment.

If these events occur, they could result in suspensions of Flint's operations and the operations of others; damage to, or destruction of, Flint's equipment and the property of others; and injury or death to personnel. Flint maintains insurance at levels that are customary in its industry to protect against these potential losses. However, Flint's insurance may not be adequate to cover all losses that might be incurred in its operations. Moreover, Flint will be subject to the risk that it may not be able to maintain or obtain insurance of the type and limits desired at reasonable rates. If Flint was to incur a significant loss for which it was not fully insured, it could adversely affect Flint's financial position.

The Corporation does not maintain key man insurance for management.

Two shareholders of the Corporation, each of which has representation on the Board, combined hold approximately 25.2 percent of Flint's outstanding common shares.

These shareholders are SCF Partners (indirectly through SCF-IV, LP, SCF-V, LP, and SCF management) and FRC Investors Inc., a subsidiary of Flint Resources Company LLC, which have representation on the Board by Messrs. Geddes and Bates respectively. Should these shareholders act or vote together, they would be able to exercise significant influence over matters requiring shareholder approval, including the election of directors, amendments to articles and by-laws, amalgamations and plans of arrangement under Canadian law, as well as corporate mergers or sales of the Corporation's assets.

ADDITIONAL INFORMATION

Additional information, including information concerning remuneration and indebtedness of the directors and officers of Flint, principal holders of Flint's securities and securities authorized for issuance under Flint's equity based compensation plans, as applicable, is contained in the

Information Circular of the Corporation prepared in relation to its most recent annual meeting of shareholders that involved the election of directors.

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information concerning the Corporation is provided in the Corporation's audited financial statements and related Management's Discussion and Analysis ("MD&A") for its most recently completed financial year. These and other documents, as well as additional information relating to the Corporation, may be found on the Corporation's website at www.flintenergy.com.

The Corporation will provide to any person or company, upon written request to the investor relations personnel of the Corporation, a copy of the latest Annual Information Form of the Corporation, together with a copy of any document or the pertinent pages of any document incorporated by reference therein, annual financial statements and related MD&A of the Corporation for its most recently completed financial year, interim financial statements and related MD&A of the Corporation for subsequent periods and this document.

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SCHEDULE "A"
Audit Committee Charter

Flint Energy Services Ltd.

A. Audit Committee Overview, Purpose and Authority

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Flint Energy Services Ltd. (the "Corporation") to assist the Board in fulfilling its oversight responsibilities and is responsible to the Board. The Committee monitors, evaluates, advises or makes recommendations, in accordance with this Charter and any other directions of the Board, on matters affecting the external, internal or special audits of the financial and operational control policies and practices relating to the Corporation.

The Committee has the authority to investigate any activity of the Corporation. The primary duties and responsibilities of the Committee include, in addition to the Committee's duties and responsibilities set forth elsewhere in this Charter:

- recommending to the Board the external auditor to be nominated for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation and the compensation for such services;
- directly overseeing the work of the Corporation's external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, including the resolution of any disagreements between management and the external auditor regarding financial reporting;
- reviewing the Corporation's financial statements, Management's Discussion and Analysis ("MD&A") and annual and interim earnings press releases prior to public disclosure;
- overseeing and monitoring the integrity of the Corporation's financial reporting process and systems of internal controls regarding finance, accounting, legal and regulatory compliance;
- assessing the processes related to identification of the Corporation's risks and effectiveness of the Corporation's response to control or otherwise mitigate these risks; and
- providing an avenue of communication among the external auditor, management, internal audit staff and the Board.

The Committee shall have unrestricted access to Corporation personnel and documents and will be provided with the resources necessary to carry out its responsibilities.

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any such advisors and to communicate directly with internal and external auditors.

B. Audit Committee Structure

The Committee shall be composed of at least three members or such other number of members as may be specified by the Board and permitted by Multilateral Instrument 52-110 - *Audit Committees*, of the Canadian Securities Administrators ("MI 52-110"). Subject to any applicable exemption contained in MI 52-110 that may be relied upon by the Corporation from time to time, all Committee members shall be independent directors within the meaning of MI 52-110, such that each audit committee member shall have no direct or indirect material relationship with the Corporation, being a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of his or her independent judgment.

Subject to any applicable exemption contained in MI 52-110 that may be relied upon by the Corporation from time to time, each member of the Committee shall be financially literate, such that he or she shall have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to those raised in the Corporation's financial statements.

All members of the Board shall be free to attend any meetings of the Committee and participate, but only the members of the Committee shall be entitled to vote on any questions before the Committee. Other than members of the Board, entitlement to attend all or a portion of any Committee meetings shall be determined by the Chair of the Committee or its members.

The Committee shall meet at least four times per year and may call special meetings as required. A quorum at meetings of the Committee shall be a majority of the members. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting.

The minutes of the Committee meetings shall accurately record the decisions reached by the Committee and shall be distributed to Committee members and Board members, with copies to the Chief Financial Officer ("CFO"), the external auditor and others as directed by the Committee.

C. Audit Committee Duties and Responsibilities

I. Review Procedures - General

- (a) Review and assess the adequacy of this Charter at least annually. Submit the Charter to the Board for approval.
- (b) Review the Corporation's audited annual financial statements together with the MD&A thereon before such statements are submitted to the Board for approval. Review should include discussion with management and the external auditor of significant issues regarding accounting principles, practices and judgments.
- (c) In consultation with management, the external auditor and internal audit staff, consider the integrity of the Corporation's financial reporting processes and controls. Discuss financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the external auditor and the internal audit staff together with management responses.
- (d) Review and recommend for approval by the Board the quarterly financial statements of the Corporation along with related MD&A and any press releases.

- (e) Review the financial content of the Corporation's annual report and any other reports of a financial nature which require approval by the Board prior to the release thereof.
- (f) Review on at least a quarterly basis with management, the external auditor and, if necessary, legal counsel any material litigation, claim or other contingency that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these will be disclosed in the financial statements.
- (g) Ensure and periodically review the adequacy of the Corporation's procedures relating to the review of all public disclosure of financial information extracted or derived from the Corporation's financial statements before its release, including any prospectus, offering memorandum, annual information form or other document.
- (h) Monitor the appropriateness of accounting policies, especially critical accounting policies and financial reporting used by the Corporation to review any actual and prospective significant changes in financial reporting and accounting policies and practices to be adopted by the Corporation and to review and assess any new or proposed developments in accounting and reporting standards that may affect or have an impact on the Corporation.
- (i) Review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of its present and any former external auditor.

II. Review Procedures - External Auditor

- (a) Review the annual appointment of the external auditor for recommendation to the Board for approval, giving consideration to matters such as:
 - (i) independence and whether to retain such auditor for each future fiscal year after consultation with appropriate management;
 - (ii) the fees paid to the external auditor on an annual basis; and
 - (iii) any non-auditing services performed by the external auditor.
- (b) On an annual basis, review and discuss with the external auditor all significant relationships with the Corporation that could impair such auditor's independence.
- (c) Review the planning and results of the external audit, including:
 - (i) the auditor's engagement letter;
 - (ii) the reasonableness of the estimated audit fees;
 - (iii) the scope of the audit, including materiality, audit reports required, areas of audit risk, deadlines and coordination with internal audit staff;

- (iv) the post-audit management letter together with management's responses; and
 - (v) any other matters the external auditor brings to the attention of the Committee.
- (d) Meet with the external auditor, at least annually and preferably at each Committee meeting, or as requested by the auditor, without management representatives present.
- (e) Receive and review all follow-up action or status reports relating to the recommendations of the external auditor and internal audit staff.

The external auditor is ultimately accountable to the Committee and the Board, as representatives of the shareholders.

III. Internal Audit Oversight

The Committee should periodically request from management a review of the internal audit function, and, on the basis of this review, determine whether such a function is operating adequately.

IV. Risk Management Oversight

Assess whether management has implemented policies ensuring that the Corporation's risks are identified and that controls are adequate, in place and functioning properly.

V. Legal Compliance

- (a) On at least an annual basis, review with the Corporation's counsel any legal matters that could have a significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws and regulations and inquiries received from regulators or government agencies.
- (b) Review all reports concerning any significant fraud or regulatory noncompliance that occurs at the Corporation. This review should include consideration of the internal controls that should be strengthened to reduce the risk of a similar event in the future.

VI. Non-Audit Services

The Committee must pre-approve, in accordance with MI 52-110, all non-audit services to be provided to the Corporation by its external auditor.

VII. Whistle-Blowing

The Committee must annually establish and review procedures relating to the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

VIII. Reporting Requirements

The Committee shall prepare for inclusion in the Corporation's Annual Information Form the information required by Form 52-110F1 of MI 52-110.

IX. Other Responsibilities

- (a) Recommend to the Board the establishment of a Code of Ethical Conduct (the "Code"), periodically review and recommend to the Board updates to the Code and ensure that management has established a system to enforce the Code. Additional requirements could include reviewing management's monitoring of the Corporation's compliance with the Code and ensuring that management has the proper review system in place to ensure that Corporation financial statements, reports and other financial information disseminated to government organizations and the public satisfy legal requirements.
- (b) Periodically perform a self-assessment of Committee performance.
- (c) Review financial and accounting personnel succession planning within the Corporation.
- (d) Annually review policies and procedures as well as audit results associated with directors' and officers' expense accounts and perquisites; annually review a summary of directors' and officers' related party transactions and potential conflicts of interest.
- (e) Perform any other activities consistent with this Charter, the Corporation's bylaws and governing law as the Committee or the Board deems necessary or appropriate.

D. Internal Audit Function

- (a) Review and if appropriate recommend for the approval of the Board the annual internal audit plan, including the mandate, staffing, scope and objectives of the internal audit department, as needed.

The internal audit function shall be responsible to senior management, but have a direct reporting responsibility to the Board through the Committee. Changes in the senior internal audit executive shall be subject to Committee approval.

- (b) Review the appointment, performance and replacement of the internal audit executive. Review annually the performance, budget and independence of the internal audit function and direct the CFO to make any necessary changes.
- (c) Review the significant reports prepared by the internal audit function together with management's response and follow up on these reports.
- (d) Meet with the internal audit staff at least annually or as requested by the internal audit staff without other management representatives present.

- (e) Review and ensure that appropriate communication and cooperation exists where necessary between the external auditor and the internal audit staff, and provide a direct line of communication between the internal audit staff and the Board.

E. Audit Committee Meetings

- (a) Committee meetings may be called by the Committee Chair or by a majority of the Committee members. In addition, the external auditor has the right to call a Committee meeting, preferably through the Committee Chair. The Chair of the Committee shall be a voting member and questions will be decided by a majority of votes.
- (b) Meetings may be called with one day's notice, which notice may be waived by members either before, at or after a meeting. All members of the Committee are entitled to receive notice of every meeting. However, it shall be the standard practice of the Committee to give Committee members at least five business days' notice of all meetings, except in unusual circumstances.
- (c) Meetings are chaired by the Committee Chair or, in the Chair's absence, by a member chosen by the Committee amongst themselves.
- (d) Agendas will be set by the Chair of the Committee with assistance from management, other Committee members, the external auditor and internal audit staff, if requested or required. Agendas should be circulated with the materials for consideration at the meeting to all members, the Chair of the Board, the President and Chief Executive Officer ("CEO") and the CFO no later than the day prior to the date of the meeting. However, it shall be the standard practice of the Committee to deliver the agenda and the materials for consideration at the meeting at least five business days prior to the proposed meeting, except in unusual circumstances.
- (e) Except as herein provided, the Chair of the meeting may establish rules of procedure to be followed at meetings.
- (f) Meetings may be conducted with the participation of a member by telephone or any other voice and/or video teleconferencing device which permits all persons participating in the meeting to communicate with each other. A member participating in a meeting by that means is deemed to be present at the meeting.
- (g) The duties of the Committee may be exercised at a meeting at which a majority of the members of the Committee are present or by resolution in writing signed by all members of the Committee who would have been entitled to vote on the resolution at a meeting of the Committee. In case of an equality of votes, the person acting as Chair of the Committee meeting shall not be entitled to a second or casting vote.
- (h) A resolution in writing may be signed and executed in separate counterparts by members and the signing or execution of a counterpart shall have the same effect as the signing or execution of the original. An executed copy of a resolution in writing or counterpart thereof transmitted by any means of recorded electronic transmission shall be valid and sufficient.

- (i) Attendance at all or a portion of Committee meetings by Corporation personnel will be determined by the Committee and may, at the request of the Committee, include the President and CEO, the CFO and a Recording Secretary.
- (j) The Recording Secretary shall keep minutes of the proceedings of all meetings of the Committee which following Committee approval are available to any member of the Board. All minutes will be circulated to the Chair of the Board. With the exception of "in camera" items, minutes will be circulated to those receiving the agenda. Minutes will be retained by the Chair of the Committee.