

EVENT: FLINT ENERGY SERVICES LTD.  
THIRD QUARTER RESULTS CONFERENCE CALL  
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OPERATOR: Good morning, ladies and gentlemen, and welcome to the Flint Energy Services Ltd. Third Quarter Results conference call. At this time, all participants are in a listen-only mode. Following today's presentation, instructions will be given for the question and answer session. If anyone needs assistance at any time during the conference, please press the star followed by the zero. As a reminder, this conference is being recorded today, Tuesday, November 10<sup>th</sup>, 2009.

I would now like to turn the conference over to Guy Cocquyt, Director of Investor Relations. Please go ahead, sir.

GUY COCQUYT (Director of Investor Relations, Flint Energy Services Ltd.): Okay, thank you, Mitch, and good morning everyone. Bill Lingard, Flint's President and CEO, and Paul Boechler, Flint's Chief Financial Officer, are here today and will discuss our 2009 third quarter results, and the outlook for the balance of 2009 and into 2010.

Bill will first summarize the third quarter operating environment, and Paul will provide an overview of the financial results. We will then have some closing comments from Bill about the outlook, followed by the usual question and answer period. About one hour after this call, a playback will be available on the telephone and over the Internet. For details on how to listen to the replay, please check our website, [flintenergy.com](http://flintenergy.com).

During the course of the call, we may provide forward-looking information concerning the company's projected operating results for '09 and 2010, anticipated capital expenditure trends, and activity levels in the oil and gas industry. Actual events or results may differ materially from those reflected in the company's forward-looking statements due to a number of risks, uncertainties, and other factors affecting the company's business, as well as the oil and gas industry. These risks, uncertainties, and other factors are described under the heading Risk Factors in the company's Annual Information form for the year ended December 31<sup>st</sup>, 2008, and other documents filed with the Canadian Provincial Security Authorities. These are available to the public on the [sedar.com](http://sedar.com) website.

Unless otherwise indicated, all financial information in this call is presented in Canadian dollars and in accordance with Canadian GAAP.

I will now turn the call over to Bill Lingard.

BILL LINGARD (President and Chief Executive Officer, Flint Energy Services Ltd.): Thank you, Guy, and good morning, everyone. We released our third quarter 2009 financial results after the market closed yesterday, and we will comment on the quarter assuming you've had an opportunity to look at those results.

In some respects, it was like the second quarter never ended, as we really didn't see the typical third quarter uptick in drilling or midstream field

activity. Rig activity in the third quarter, while up from Q2, was still down nearly 50 percent compared to last year in both Canada and the United States. Similarly, as a proxy for field activity in general, customers' earnings in the third quarter and year-to-date were also down by a half from 2008 due to lower oil and gas prices. This translated into similar reductions in spending at all levels.

While oil sands capital spending was down an estimated 50 percent from last year, with recent strengthening in crude prices which reached an average of \$70 (phon) per barrel in the third quarter, a number of big projects are going ahead, or are back in the planning stages at this time. As a result of these external factors, and in spite of them, Flint's revenues of 460 million for the quarter, and 1.4 billion year-to-date, were only down 21 percent and 13 percent respectively from last year, and up sequentially by 8 percent from the second quarter.

The production services division, with operations in both the United States and Canada, were negatively impacted by reduced field activity, notably in the US where these operations are more levered towards the tying in and completion of new wells. US operations were down 45 percent from last year and flat with Q2. Canadian operations, which are more weighted to midstream production and maintenance activities, were flat to Q2, and down 20 percent from last year.

Our oilfield services segment, which is usually more weighted to rig moving, continued to experience greatly decreased activity. As a result, revenues were down 39 percent year-over-year. The fluid hauling and specialized hauling businesses within this segment did fairly well, with only modest declines in revenues.

On a positive note, our facility infrastructure segment, which continues at near peak construction activity on both Shell Albion and Statoil Leemere projects, continued to perform very well. Revenues in this segment were off slightly from last year's record, and up 19 percent from Q2.

As well, our maintenance services segment continued to show solid results in the quarter, with revenues up 14 percent from Q2, and flat with Q3 of last year.

FT Services completed a very successful turnaround at Suncor's oil sands facility in the quarter; under budget, and two days ahead of schedule. Our customers' production volumes are a good indication that our maintenance business model is helping to attain one of the key strategic thrusts of operational excellence.

Additionally, FT Services received industry recognition for having scored 100 percent on a third party safety audit during the quarter. I am really pleased with the operational performance of FT Services.

I will talk more about the outlook for the fourth quarter of 2009 and how we're seeing 2010 unfolding after Paul takes you through the numbers for the quarter.

Paul, I will turn things over to you.

PAUL BOECHLER (Chief Financial Officer, Flint Energy Services Ltd.): Thank you, Bill. Our third quarter revenue of 459.7 million were made up of 156 million from facility infrastructure, 183 million from production services, 45 million from oilfield services, and 76 million from maintenance services. Quarterly revenues were down 126.1 million, or 21.5 percent from Q3 last year, with decreases of 87 million in production services, and 28 million in oilfield services accounting for most of the decline. Facility infrastructure revenues were down 10.7 million as a result of overall reduced capital spending in the oil sands compared to last year.

US production services had revenue of 71.3 million, down 58.5 million from the record activity levels last year. The 45 percent decrease in revenue mirrors the decreased natural gas well tie-ins, field construction, and drilling activity in the United States. We saw our clients really roll back spending in many US areas.

Canadian production services revenue was 111.2 million, flat with Q2, but down 20 percent from last year, with most of the decline from reduced well tie-in work and tubular management activities associated with

upstream drilling. While Canadian drilling was down by 50 percent, Flint's focus on production activity and midstream work in Canada mitigated some of the general decline in industry activity.

Oilfield services revenue was 45.3 million, up 5 million from Q2, but down 39 percent from last year, with most of the decrease as a result of reduced drilling activity in Canada.

Our overall geographic revenue split for the quarter changed to 15.9 percent from the US operations compared to 22.7 percent in Q3 2008. As a result, proportionally (phon) greater drop in activity in US operation.

Third quarter gross margins of 14 percent, a decrease of 2.5 percent to Q3 last year, but an increase of 1 percent from Q2 this year. The majority of the negative impact on gross margins in Q3, like Q2, came from production services, where we experienced reduced activity as well as continued competition and pricing pressure during the quarter.

On a positive note, Flint's infrastructure's gross margins was up to 17 percent for the quarter compared to 14 percent for Q3 2008. The year-over-year increase was primarily as a result of improved contract execution in 2009.

Oilfield services gross margin was 17.3 percent, compared to 20.9 percent in Q3 last year.

Maintenance services gross margin was 6.4 percent, compared to 6.8 percent in Q3 last year. The reduced gross margin in this segment was the result of the one-time non-reimbursable costs associated with a construction project in one of our Northern joint ventures. There were non-reimbursable costs of approximately 1 million during the quarter.

General administrative expenses in the third quarter 21.9 million, down 12.9 million compared to the third quarter of 2008, and down 2.7 million from Q2 2009. As a percentage of revenue, general administrative expenses decreased to 6.3 percent from 7.2 percent for the third quarter of 2008, and 7.5 percent in Q2 of this year. The reduction in G&A expenses was the result of cost cutting measures taken in the past 12 months to compensate for reduced activity levels in 2009.

EBITDA for the third quarter was 35.5 million, down 19 million from Q3 2008, with EBITDA margins of 7.7 percent of revenue, compared to 9.3 percent in Q3 2008. This was a result of lower gross margins primarily in production services. Production services EBITDA was 7.9 million, down from 25.8 million in Q3 2008. EBITDA margins for the segment were 4.3 percent compared to 9.6 percent in Q3 2008.

In both Canada and the US, EBITDA was down from the third quarter of last year, reflecting the significant drop in activity. US production services EBITDA was 2.4 million, compared to 15.2 million last year.

Third quarter depreciation of property, plant, and equipment was 15.4 million, compared to 16.3 million last year.

Interest expense for the third quarter was 4 million, compared to 7.9 million in 2008, as a result of reduced interest-bearing debt. During the first nine months of the year Flint repaid 65 million of debt, thereby reducing interest expense.

Income taxes for the quarter were 5.3 million, 0.8 million current and 4.5 million future tax obligations, compared to a tax recovery of 139,000 last year. The third quarter tax rate was a bit higher than expected at 35 percent, due to a small adjustment to the value of future tax rates (phon).

Net earnings for the quarter were 9.7 million, compared to 16.7 million, excluding impairment charges last year. Including the impairment charge, a loss of 163.2 million was reported last year.

Quarterly diluted earnings per share were \$0.21 for the quarter, compared to a loss of \$3.41 per share for Q3 last year. Excluding last year's impairment charge, adjusted net earnings from operations for Q3 2008 were \$0.35 per share on a fully diluted basis.

Funds provided by operations before change in non-cash working capital were 30.1 million for the quarter, compared to 38.3 million from Q3 last year.

After changes in non-cash balances related to operations, cash flow from operating activities remained constant at 57.7 million compared to last year.

Capital expenditures net of dispositions were 6.8 million for the quarter, compared to 16.6 million during the third quarter of 2008.

From the beginning of the year, working capital was up 30.1 million. Improved invoicing and collection practices, combined with a low level of capital reinvestment, have resulted in a continued accumulation of cash, and at quarter end, the balance was 108.8 million.

At the end of the quarter, Flint's revolving credit facilities were undrawn, and long-term debt, including current portions, was 245.3 million, down 65.1 million from 310 million at the beginning of the year.

At September 30<sup>th</sup>, Flint had 45.5 million common shares outstanding, unchanged from June 30<sup>th</sup> of this year.

With that, I will turn things back over to Bill to give you some outlook for the rest of the year.

BILL LINGARD: Thanks, Paul. I will now cover some recent activity trends, and discuss what we expect to see in the fourth quarter and 2010.

North American and global economies, which contracted in recession for the past 12 months, are showing signs that a recovery is under way, albeit a modest one. Oil sands capital spending in 2009, which

is projected to be down nearly 50 percent from record levels set in 2008, is expected to improve in 2010 with the sanctioning of new projects, and stronger crude oil prices in the third quarter. With project activities peaking in the fourth quarter for Albian expansion and Leesmere projects, our facility infrastructure division will remain very busy for the next six months.

Our business development efforts are showing great promise for the next projects as we focus on silos of Kearl Lake, Surmont (phon), Sunrise, Christina Lake, Leesmere, and various Suncor projects to rebuild our backlog. Our current high activity rate, along with the holds and delays, has brought our current backlog in oil sands to approximately 240 million.

Depending on available capacity, we also see several interesting power generation construction projects that could be a good fit for facility infrastructure. Many opportunities exist as clients get back to planning their construction, and boards approve the capital expenditures.

Suncor Energy, which recently completed its merger of Petro Canada, is expected to announce its capital spending plans for 2010 in mid-November, with expectations for resumption of Firebag 3 Project, which was deferred in January of this year due to the depressed crude oil prices seen in the first quarter. We do expect Flint to perform some portion of this work.

While crude oil prices continue to rally in the third quarter, and recently in the high 70s, natural gas pricing closed the quarter averaging only \$3.41 in September. As a result, upstream and midstream activities in both Canada and the United States remain very depressed compared to the third quarter 2008.

Canadian rig counts averaged 219 active rigs in the third quarter, down from an average of 408 last year, but up from an average of only 90 active rigs in the second quarter of 2009. United States drilling activity averaged 973 active rigs in the third quarter, down from 1,978 active last year, and up from 936 in the second quarter.

Recent rig activity in both Canada and the United States continues to remain down 50 percent compared to last year, and the outlook for the fourth quarter is for activity to remain well below typical levels at this time of the year. Rig count in Canada is now around 290, which means there is a seasonal upswing, with clients focused on strategic shale basins, and we are already seeing more work from these areas.

On a positive note, gas has improved currently to around \$4.60, and recent future tradings in natural gas suggests we could see improved natural gas pricing in 2010, which, if sustained, will lead to improved activity levels next year, particularly in the second half. With natural gas storage running 414 Bcf above the five year average for this time of the

year, as we move into the heating season, it is important to put this into perspective. At current US consumption of 57 Bcf per day average, this is only seven extra days of supply. As the economy recovers, and clean gas power generation increases, storage levels may be perceived differently.

Flint's production services and oilfield services segments will continue to experience pressure on revenue and margins while drilling and field work remains weak in the fourth quarter. We have seen some seasonal uptick in Western Canada this week, and we have good commitments from clients on winter projects.

The maintenance services segment, which includes FT Services joint venture maintenance contract with Suncor Energy, saw FT Services successfully complete the planned outage at one of Suncor's oil sands facilities in the third quarter, and planning is underway for the next major turnaround for Suncor in 2010.

While quarter four will remain challenging, Flint has an excellent balance sheet, good cost controls in place, and base workloads to more than sustain our operations. We are optimistic about improving conditions in 2010 in all of our markets, and with our cash reserves and undrawn lines of credit, we are ready to exploit opportunities as they arise.

Our strategic focus for 2010 is really to anticipate which areas will be first to get busy, and be positioned to increase our workload in those

areas. We see a definite shift to the shale plays. I have recently visited with our customers in the Marcellus area, where activity is still modest with about 75 rigs active, but several clients, including Talisman, Chesapeake, and XTO are preparing to double or triple their activity. While we continued growth from our Morgantown, West Virginia operation in the South Marcellus, we are in process of moving oilfield and production services resources into Williamsport, Pennsylvania to fill immediate customer needs in the Northern Marcellus area.

Other areas we are expanding are Horn River in Fort Nelson, into the Bakken in both Saskatchewan and North Dakota, Haynesville in Mansfield, Louisiana, and into the Swan Hill/Slave Lake area of Alberta. We have been successful with securing near-term work with key clients in all of these areas.

With respect to our Chairman, John Geddes, retiring at the end of this year, we'll miss John's guidance and strategic thinking. He has been instrumental in the growth and development of our company. At the same time, we have added some very talented Board Members over the last couple of years, most recently Ian Reid and Roger Thomas. With succession plans in place, and Stuart O'Connor stepping into the Chairman role to lead us through the next stages of our growth strategy, the timing is right to allow John to retire and lighten his workload.

That concludes our presentation today. With the assistance of Mitch, our operator, we would like to open the floor for your questions.

OPERATOR: Thank you, sir. Ladies and gentlemen, at this time we will begin the question and answer session. If you have a question, please press the star followed by the one on your push-button phone. If you would like to decline from the polling process, please press the star followed by the two. You will hear a three-toned prompt acknowledging your selection. The questions will be polled in the order they are received. If you are using speaker equipment, you will need to lift the handset before pressing the numbers. Once again, if you would like to ask a question, please press star, one.

And our first question comes from the line of Roy Ma with Blackmont Capital Incorporated. Go ahead, please.

ROY MA: Hi. Good morning, guys.

BILL LINGARD: Good morning, Roy.

ROY MA: First question, your backlog in facility infrastructure, how much of that relates to the deferred backlog from Suncor's Firebag, and how much of that is what remains at Shell's Albian sands froth treatment plant?

BILL LINGARD: It's all with the Statoil project and the Shell project. We haven't added any backlog yet from Suncor.

ROY MA: Okay, so the number you quoted excludes Suncor's deferral?

BILL LINGARD: That's correct.

ROY MA: And how much is that deferral? As I recall, is that around \$150 million?

BILL LINGARD: That is almost exact, yes. Right around 150 million is what was deferred.

ROY MA: Okay. So another 150 if that is to come back on line.

BILL LINGARD: That's correct.

ROY MA: Okay. Moving onto the US, which area was weaker, pipeline construction or J.W. Williams manufacturing?

PAUL BOECHLER: The biggest weakness, Roy, was in the pipeline construction area. J.W. Williams was weakened a little bit, but they were getting orders in from a number of the areas that are still active, and it was more the general oilfield construction of well tie-in and gathering systems that was weaker.

BILL LINGARD: Yes, we've actually received more orders in J.W. than we expected. We think it's some people in the US who had budgets that they weren't going to spend, and now that it's getting close to the end of the year decided to spend some of that money. So J.W.'s business has actually picked up a little bit.

ROY MA: Okay. So in the quarter, if I can pry a little on that front, would it be fair to say that US pipeline construction was operating at a loss, or breakeven at best?

BILL LINGARD: I think they both made money. Paul?

PAUL BOECHLER: The pipeline side would have been just a little bit over breakeven or around that level, and J.W. did a little bit better.

ROY MA: Okay, thanks. And final question, what do you plan to do with the—if there's an ever-growing cash balance?

PAUL BOECHLER: Well I think that the rate, Roy, that there's are a number of opportunities for us. The Board is considering all of the aspects of our strong balance sheet at this time with respect to acquisition growth or opportunistic ability to move out on a greenfield basis by moving equipment out into new areas or looking at other aspects with respect to that. You know, we don't have any specific plans at this time, but we think that there will be opportunities to properly employ that to get the rate of return for our shareholders.

ROY MA: Okay, so is it fair to say that it doesn't make sense for you to pay down the debt other than the scheduled maturity that will be coming up?

PAUL BOECHLER: For the most part, that's true. Under our debt agreement it's a little bit complicated to pay it down on a proportional

basis, and I think we're content, at this point, with looking at opportunities for the cash.

BILL LINGARD: We think it's a good problem to have too much cash here right now, because we think opportunities are going to present themselves.

ROY MA: Yes, well plus I assume some of those are still fairly—at fairly advantageous rates that you would have negotiated before the credit market rose up.

BILL LINGARD: That's right. That's correct.

ROY MA: All right. Thank you.

OPERATOR: Thank you. And our next question comes from the line of Brian Purdy with National Bank Financial. Go ahead, please.

BRIAN PURDY: Hi, guys. Congratulations on a good quarter.

BILL LINGARD: Thank you.

PAUL BOECHLER: Thank you.

BRIAN PURDY: I just wanted to ask about the margins. Would you expect, I mean it sounds like in the facility infrastructure had a very good quarter with some of the bringing back of, or sorry, your allocations, I guess, to the project. I'm just wondering would you expect margins to return to more normal levels going forward?

PAUL BOECHLER: I think that at this point we've improved our execution in lots of ways in infrastructure, and I think that we have the opportunity to maintain them to some level. I'm not sure we can keep them as high as they were in the third quarter, because a part of that is, of course, as you do major contracts you recognize it as you execute through it, and we did pretty good in the third quarter. But I think that from the historical levels of 2008, I think we can get above that with sound execution, but maybe not quite as high on a go-forward basis as we are today.

BRIAN PURDY: Okay. And then just sticking with that segment, in terms of the opportunities you are looking at, you know to add to backlog there, how quickly could those projects come up? I mean do you expect—I mean it sounds like you're expecting to peak revenue here in the fourth quarter in facility infrastructure, but—you know—is it expected that it's—they're probably going to decline for a few quarters before any new projects would start up?

BILL LINGARD: Yes, my sense is that because of the timing of peoples' expenditures, we will see probably our revenues ramp down in the second and third quarters with ramping up again in the fourth quarter next year with some of the new projects. There's not a lot, I mean except for Suncor, which they may have stuff ready, shovel-ready so to speak,

some of the other projects that we are looking at and talking to the clients about would be late in 2010, and certainly a lot of the bulk of the work in 2011.

BRIAN PURDY: Okay. And moving onto maintenance services, obviously a bit of a more difficult margin situation there. It sounded like the costs there were one-time. Do you expect margins there to go back to previous levels?

PAUL BOECHLER: Actually we do. It was a specific project in one of our Northern joint ventures in which we basically lost about a million dollars on our portion of it due to costs exceeding the construction estimates on the job. And so from the maintenance side, in that whole group, we would expect margins to get back up to what we've experienced in the last few quarters, and the EBITDA margins in that 6.5 to 7 percent range.

BRIAN PURDY: Okay. And then, finally, I just wanted to ask about some of the expansions you spoke of in the US market. You know it sounds like, or at least most of your comments centered around the Marcellus. What are the set of services that you want to take in there, and why do you want to target those areas?

BILL LINGARD: Well we do have some clients dragging us there, which is always a good thing. If you can go in with some anchored clients,

it's a much easier expansion. What we're doing in the Marcellus today through our Morgantown, West Virginia operation, is facility construction, pipeline tie-ins, some lease construction, and those would be the bulk of what we're doing. As they're drilling horizontally out there, in the old Marcellus they drilled vertical wells and you didn't need too big a rig, but now they're drilling maybe 6,000 feet down and 6,000 feet of horizontal so you're getting into bigger triple rigs and stuff, which are the types of rigs that we're used to moving.

With some of the drilling operators from Western Canada planning to move rigs in there, and some of the clients planning to use those rigs, we are going to put some of our rig moving assets into Pennsylvania, and we do have immediate work for it as we put it there, and probably even some work to move some rigs to that area from Western Canada.

BRIAN PURDY: Okay.

BILL LINGARD: So rig moving certainly would be the first expansion we'd do. We'll look at other services beyond that.

BRIAN PURDY: Okay. Is it safe to assume that you have the assets that you are going just to move into that area, or is there some capital spending also required?

BILL LINGARD: We would have the assets because of where drilling activities are in Western Canada, whereas all our rig moving

assets. We're probably at about 30 to 35 percent utilization, so we can take in the areas that have really slowed down and move assets down there without having to go back and buy a bunch of capital.

BRIAN PURDY: Okay. Great. I think that's all I had. Thanks very much.

OPERATOR: Thank you. And once again, ladies and gentlemen, if you would like to ask a question, please press star, one.

And our next question comes from the line of Roger Serin with TD Securities. Go ahead, please.

ROGER SERIN: Good morning, guys. Brian asked most of my questions. Maybe just keeping on the theme of margins, in terms of production services, where do you think you can get your margins back to?

PAUL BOECHLER: Well, I think in the fourth quarter, I think the thing to remember, Roger, is that we've been at this level of activity before on the upward swing of the growth, and at these levels we were able to make money. So it's getting our cost structure back to this level of revenue for the current without losing our entire capacity. I think in the fourth quarter we will start to see the improvements in the US of the areas in which we've been able to, where we've cut staff or sold equipment, to get better utilization from that gear.

We certainly should be able to get the US operations more than just breakeven in the production services, and start getting the margins up. We're not going to get the EBITDA margins up to the 10 percent range right now based on the activity level, but we should certainly be able to push them up to six or seven in the next quarter, and then if we saw an improved activity, be able to start seeing some growth from there.

ROGER SERIN: Okay, that was it for me. Thanks very much, guys

PAUL BOECHLER: You're welcome.

OPERATOR: Thank you. And we have no further audio questions at this time. I'd like to turn the conference back over to management for any closing (inaudible).

GUY COCQUYT: Well, thank you, Mitch, and thank you, everyone, for participating in our call today. We look forward to talking to you soon with our results for the third and fourth quarters. Thanks. Bye.

OPERATOR: And ladies and gentlemen, this concludes the Flint Energy Services Ltd. Third Quarter Results conference call. You may now disconnect.

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