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FOURTH QUARTER AND  
2009 YEAR-END RESULTS  
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OPERATOR: Good morning, my name is Sarah and I'll be the conference operator today. At this time, I would like to welcome everyone to the Fourth Quarter and 2009 Results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star, and then the number one on your telephone keypad. If you would like to withdraw your question, please press the pound key. Thank you, Mr. Cocquyt, you may begin your conference.

GUY COCQUYT (Director of Investment Relations and Market Research, Flint Energy Services Ltd.): Thank you, Sarah, and good morning, everyone. I'm here today with Bill Lingard, President and Chief Executive Officer, and Paul Boechler, Executive Vice-President and Chief Financial Officer, who will talk about our fourth quarter and 2009 year-end results.

Bill will summarize the fourth quarter and year-end operating environment, and then Paul will provide an overview of the fourth quarter and year-end financial results. There will be some closing comments from Bill about the outlook for 2010, followed by the usual question-and-answer period. Approximately one hour after this call, a playback will be available

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by telephone and over the internet. For details on how to listen to the replay, please check our website - FlintEnergy.com.

During the course of the call, we may provide forward-looking information concerning the company's projected operating results for 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 in general. 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, 2009, and other documents filed with the Canadian Provincial Security Authorities and are available to the public on the [sedar.com](http://sedar.com) website. Unless otherwise indicated, all financial information in the call will be expressed in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

We released our fourth quarter and 2009 year-end results after markets closed yesterday and we will comment on the quarter, assuming that you've had an opportunity to look at those results. I'll now turn the call over to Bill Lingard.

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BILL LINGARD (President and Chief Executive Officer, Flint Energy Services Ltd.): Thank you, Guy, and good morning, everyone. I'll start by discussing some of the highlights and events which occurred in 2009. First and foremost, was a strong showing by our facility infrastructure division, which posted annual revenues of 592 million. While annual revenues were up just 7 million year-over-year, EBITDA of 70.8 million contribute almost half the company's EBITDA in 2009. Annual EBITDA margins were 11.9 percent for the year, a 4 percent improvement over 2008.

In the fourth quarter, while facility infrastructure revenues were down 17 percent, EBITDA margins increased to 14.8 percent. These gains came from improved internal efficiencies to recover reimbursable contract costs and improved efficiencies in field construction work. Similarly, our maintenance service business segment posted stable revenues of 75 million for the quarter and 280 million for the year - down 8 percent for the year, due to less turnaround work scheduled in 2009, than in 2008. This division contributed 15 percent to overall company revenues and 11 percent of company EBITDA in 2009 – very good for a division which we started in 2007.

The early cycle and mid-cycle divisions were adversely affected by a nearly 50 percent decline in drilling and production related activities, in

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both Canada and the United States, in 2009. The production services and oil field services divisions bore the brunt of these declines. Production services revenues were down 48 percent in the fourth quarter, and 31 percent for the year. However, Canadian revenues held up better as Flint has a broader range of services and more production and maintenance related activities in Canada, than in the US.

Quarterly production services EBITDA of 11.3 million was comprised of 1.5 million of US EBITDA and 9.8 million of Canadian EBITDA. Canadian EBITDA margins in the quarter gained 3 percent to 7.8, but were off 1.6 percent for the year, at 6.8 percent. US EBITDA margins were 2.7 percent in the quarter and 4 percent for the year, reflecting the lower US activity and lower equipment utilization rates in the US. Overall production services contributed 42 percent to the company revenues, and 31 percent of the company's EBITDA, in 2009.

With Canadian drilling activity down 50 percent in 2009, oil field services revenues were down 25 percent in the fourth quarter and 23 percent for the year. The relative strength of the division was due to both fluid services and specialized hauling portions of the business, which are not as heavily levered (phon) to drilling activities as the rig moving portion.

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Oil field services EBITDA margins in the fourth quarter and for the year were 4.9 percent and 7.7 percent, respectively. This division contributed 11 percent to the company's revenues and 11 percent of the company's EBITDA in 2009.

With the deteriorating market conditions in late 2008, we took steps early in 2009 to cut our costs and prepare for both reduced drilling activity and revenues. As a result, we were able to trim 25 million from our general and administrative cost and keep these expenses at 7.6 percent of revenue in 2009.

In our pricing and cost of goods we saw our gross margins hold up at 15.4 percent, compared to 15.8 percent, in 2008. This speaks well of the company's focus on price cycle profitability and controlling costs through 2009, with all of our management and employees participating in these efforts. Flint reduced the total number of employees at the end of 2009 to just over 10,000, down 6 percent from our record level of employment in 2008.

We also saw significant improvement in safety, with the company recording a total recordable injury frequency ratio of one, down from 1.4 in 2008.

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Our strategy of having an appropriate mix of early, mid and late cycle energy services across all of the active basins in North America, really helped Flint remain profitable, in what has been one of the most severe downturns we've seen in recent history.

I'd now like to turn things over to Paul Boechler, Executive Vice-President and CFO, to go into more details of the results for the fourth quarter and full year 2009.

PAUL BOECHLER (Executive Vice-President and Chief Financial Officer, Flint Energy Services Ltd.): Thank you, Bill. Revenues for the fourth quarter were 462 million, down 219 million or 32 percent from 682 million in Q4 2008. Fourth quarter revenues in 2008 were the highest ever reached by the company but in Q4 2009, all four business segments experienced reduced quarterly revenues as a result of lower activity levels. Facility infrastructure revenue of 161 million was down 33.7 million as a result of less project work in the quarter compared to the previous year, when we were also in the field constructing for Suncor's Firebag 3 project. In 2009, the company was working on the Shell Albian and StatOil Leismer projects, as well module fabrication work on Firebag 3.

The production services segment, with quarterly revenues of 169 million, was down almost 50 percent from last year, due primarily to the

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significant drop in natural gas activity in the United States. US revenues were 48.5 million, down 65 percent from the previous year, while Canadian revenues were 120 million, down 35 percent, compared to 184 million the previous year.

As Bill mentioned, US operations are more closely tied to drilling, while the Canadian activity is more weighted to mid-stream production and related customer spending – which dampened the effect of lower drilling activity in Canada in 2009.

Oil field services quarterly revenue was 57.3 million, down 25 percent from last year, mainly as a result of reduced drilling and related rig moving services. While the average rig count (phon) in the fourth quarter was down 42 percent from 2008, the fluid hauling, pressure and vacuum and specialized hauling revenues in this segment, partially offset the declines experienced from rig moving.

Our overall geographic revenue split for the quarter was 88 percent Canadian and 12 percent US, compared to 79 percent and 21 percent, respectively, last year – again reflecting lower activity levels in the United States.

Annual revenues were 1.9 billion, down 18.8 percent from 2.3 billion in 2008. The decreased annual revenue came from decreases in all

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divisions, with the exception of facility infrastructure, which was up 7 million year-over-year.

Production services revenue of 792 million were down 31 percent from a record 1.15 billion in 2008. Canadian operations revenues were 493.7 million, down 21.8 percent and US operations were 298.3 million, down 41 percent.

Oil field services revenues were 212 million, down 23 percent for the year and maintenance services revenues were 279.6 million, down 7.9 percent. For the full year, the company's geographic revenue split was 83 percent Canadian and 17 percent from the United States, compared to 78 percent and 22 percent, respectively, in 2008.

Quarterly gross margin was 81.6 million, down 23 percent from 2008 – but as a percentage of revenue, gross margin was 17.6 percent, compared to 15.6, in the fourth quarter of 2008, as a result of facility infrastructure's improved execution. Annual gross margin for the company was 289.6 million, down 77 million from 2008 and as a percentage of revenue, annual gross margin was 15.4 percent for the year, compared to 15.8 percent in 2008.

General and administrative expenses in the fourth quarter were down 7 million, compared to the fourth quarter 2008 and as a percentage

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of revenue, general and administrative expenses were 8.3 percent, compared with 6.7 percent in 2008. Full year general and administrative expenses were down 24.5 million to 141.7 million, compared to 2008, as a result of broad cost control measures put in place early in 2009. EBITDA for the quarter was 43.4 million, compared to 61.3 million in Q4 2008. EBITDA margins increased to 9.3 percent from 9 percent in Q4 last year, largely as a result of performance of the facility infrastructure segment.

Consolidated EBITDA for the year was 149.2 million, down 52.4 million from last year, at 7.9 percent of revenues, compared with 8.7 percent in 2008.

Amortization of property, plant and equipment was 14.5 million during the fourth quarter, compared to 13.3 million in the comparative quarter of last year and annual amortization was 57.7 million, compared to 59.4 million in 2008. Interest expense for the fourth quarter was 4.1 million compared to 4.9 million last year and interest expense for the full year was 16.9 million, down from 19.9 million in 2009. This was as a result of full repayment of our revolving credit lines in the second quarter of this year.

Operating credit lines were renewed in 2009 for a three-year term and remained undrawn in the fourth quarter.

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Flint has 137 million available on our revolving lines, with an accordion feature that allows us to borrow up to 250 million on these lines.

Income taxes for the quarter were 7.7 million, compared to recovery of 2.6 million in 2008 and for the full year, income taxes were 21.8 million, compared to 7.5 million in 2008.

Net earnings for the quarter were 14.5 million, compared to adjusted net earnings of 28.1 million in the fourth quarter of 2008 or \$0.32 per fully diluted common share, compared to \$0.60 in the comparable quarter in 2008.

Annual earnings for 2009 were 46.5 million compared to adjusted net earnings of 75.1 million in 2008 or \$1.01 per fully diluted common share in 2009, compared to \$1.58 per fully diluted common share on an adjusted basis in 2008.

Funds provided by operation before change in non-cash working capital, were 102.7 million, down from 143.1 million in 2008. At December 31, 2009, Flint had 163.9 million in cash, compared to 1.4 million in cash at last year end. The increase in cash was a result of improved billing and collection of amounts owing, and a reduction in working capital, required due to lower revenues.

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Net capital expenditures for the year were 23.1 million, compared to 37.7 million in 2008. Management of underutilized equipment helped to reduce the need for capital purchases in 2009.

Long-term debt, including the current portion, decreased 71.4 million to 139 million, from 310 million at December 31, 2008. At December 31, 2009, Flint had 45.5 million Class A voting common shares outstanding, compared to 46.2 million shares last year. A reduction of 688,000 shares was a result of shares repurchased under a normal course issuer bid, which expired in March of this year.

I am happy to report that we successfully completed the roll out of our ERP system to transportation, tubular (phon) management and US production services operations. The improvement in business processes will allow us to look forward to explore greater opportunities. With that I will turn things over to Bill to provide the outlook for 2010.

BILL LINGARD: Thanks, Paul. 2010 is giving us some cautious optimism as the North American and global economy continues to recover. In February, the average active rig count in Western Canada was 512 compared to 330 last year. This past week, as we started road bans and spring break-up, rig activity in Canada was still at 335 active rigs at 40 percent utilization, compared to only 134 active rigs at 15 percent

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utilization, at the same time last year. US rig counts reported by Baker Hughes, were standing at 1,407 last week, compared to 1,126 a year earlier.

As the first quarter of 2010 comes to a close, the oil and gas industry is showing signs of a modest recovery in drilling and production related activities, in both Canada and the United States, with a real focus on new unconventional plays in which the company is seeing many opportunities for growth. This recovery has been driven by improving energy prices, strengthening demand for energy and new technology. With Canadian and the United States drilling activities forecast an increase of approximately 20 percent over 2009 levels, the company expects its production services and oil field services segments to see better utilization in 2010, especially in those unconventional plays. The company is expanding with new locations to support both drilling and production services in unconventional basins, including the Horn River in northeast B.C., the Bakken in Saskatchewan and North Dakota, the Marcellus in West Virginia and Pennsylvania and the Haynesville Shale in Louisiana. Two of these new operations will see rig moving equipment from Western Canada, redeployed to support rapidly expanding US shale drilling activities, in the Marcellus and Williston basins.

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The facility infrastructure division will complete work on three major projects in 2010: Suncor's Firebag 3 SAGD, Shell Albian Sands Expansion and the StatOil Leismer Demonstration Project.

As of the end of the fourth quarter, our confirmed backlog in this division was 200 million approximately. While work and revenues in this division will slow down in the second half of 2010, compared to the last few years, several new major oil sands projects have been sanctioned, which the company is targeting to add to its backlog for 2011 and 2012. With planned work on Suncor's Firebag 4 Plus, the decision to go ahead on ConocoPhillips Surmont SAGD, the approval of Husky's Sunrise SAGD project, the next phases of oil sands production growth have been confirmed. As a result, we are very optimistic and we're actively pursuing several new major construction projects at this time.

Likewise, the company's maintenance services segment, including its joint venture company, FT Services, continues to develop its market presence and prove its successful asset maintenance model with the existing customers. In 2010, FT Services will be managing large maintenance turnarounds for Shell and Suncor – in fact the Shell turnaround is underway and the Suncor turnaround is scheduled to start later this spring. FT Services also, is actively marketing its services to

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other producers in oil sands, as well as refining operations across Canada. The Company expects this division to show growth over the next few years as major clients review their existing asset management programs.

Overall, the outlook for 2010 is that activity will improve moderately for our early cycle and maintenance businesses. Our focus for 2010 is firstly, to build company backlogs by capturing new opportunities in every division; second, to achieve higher asset utilization by redeploying capital equipment from less active areas, to more active North American basins; third, in a competitive market we see today, reducing cost of delivery to improve operating margins; and, fourthly, to pursue strategic growth initiatives.

That concludes our presentation today. With the assistance of Sarah, our operator, we will open the floor for your questions.

OPERATOR: At this time, I would like to remind everyone, in order to ask a question, please press star, and then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Roy Ma of CI Capital Markets. Your line is now open.

ROY MA: Morning everyone.

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MALE SPEAKER: Good morning Roy.

ROY MA: Congratulations on a good quarter guys. First question: I think you gave us what was a contract backlog in facility infrastructure for year end being \$200 million. Can you give us that update for where you are currently?

MALE SPEAKER: It's a moving target, Roy, but since the end of the year we have continued to see some additional scope on both the Shell Albion and StatOil Leismer projects so those continue to add some to backlog as we help with the commissioning and start up of those facilities and close out the construction. The other piece that we've added in backlog since then, is the portion of the field work that we press released for the Firebag 3 site. So I don't have an exact number, but I think our backlog has remained fairly steady so far this year. We've added more than we've burned off.

ROY MA: Okay that's what I'm after is what you're going to be executing for Q1 and which you would run off some of that backlog using that net you are still probably at least flat or even higher?

MALE SPEAKER: Yes.

ROY MA: Okay.

MALE SPEAKER: Probably right around the same level, yes.

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ROY MA: About the same level. Okay, moving on—visibility on the rig hauling and pipeline construction in terms of bookings—can you give us a flavour for what your customers are committing to right now?

MALE SPEAKER: On the rig hauling side, we've been very busy in first quarter and we've actually moved some assets now to Pennsylvania and we took possession of our building and land down there, February 1<sup>st</sup>, so we will be operational there, you know, within days, and have moved the first rig for our clients. I think there's seven or eight more rigs to move and so the stuff going to the Marcellus, which is quite active and will continue to be active in coming months. But we've certainly seen lots of activity in some of the oily areas in Canada, particularly, and up in northeast B.C. and the Horn River area – very, very busy. We've seen where clients that normally don't use us, began calling and needing our services because with rig activities, and some of the smaller mom-and-pop type trucking companies having closed their doors and sold their equipment at auctions and stuff, so we're finding it's still quite busy, even today.

ROY MA: And pipeline construction?

MALE SPEAKER: On the pipeline construction, late last year, we were successful on several pretty good tenders. We would have a backlog

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today of about \$40 million in Western Canada, in our production services division, doing pipeline construction for some of our major clients; so it's going to be fairly active in this year and we're seeing lots of new opportunities come in. In the United States, production services, we did start a pretty good sized pipeline job in the Haynesville, just in the last few weeks and lots of additional opportunities coming in the Shale plays. We've had a very busy time over in the Marcellus too. Over the last couple of months, our revenues have been up very well in the Marcellus area – and a lot of that is pipeline work—and that's small diameter (inaudible).

ROY MA: Okay. Would you say pricing environment now for both rig hauling and pipeline construction is—are you now back on the uptrend or are you just arrested (phon) pricing decline for the time being?

MALE SPEAKER: For the pricing?

ROY MA: Yes, in terms of pricing. Are you seeing a pick up or have you just—basically see it flattened out and not quite increasing yet?

MALE SPEAKER: With our core clients where we're on longer term commitments, we've seen it stabilize. It would have bottomed out about Q3 of last year and we haven't seen much where we can get much back. On our non-core clients, and I'll give you an example, Roy—some of our non-core clients that are calling for our rig moving services, while we were

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discounting for our core clients, 20 percent off book price—we're going out at book price now, with the non-core clients. So we are seeing some rebound in our pricing ability in the rig moving, with the non-core stuff. So I think we saw bottom in about the third quarter of last year and we've seen some rebound overall. Production services and the bids we're doing and stuff there, I think we saw bottom probably in the fourth quarter last year and we're seeing a little bit better pricing right now.

ROY MA: Last question—this is a repeat of a question I asked in previous quarters—do you see a sizeable cash position being built up? Does debt seem to be a very manageable level, in terms of maturity that's coming up—can you shed some light in terms of what you expect to do with that cash?

MALE SPEAKER: Roy, I think there is a couple of things—the first is if we see an expansion of operations, of course we are a working-capital intensive company and some of it will go with that. Secondly, we are looking at alternatives and the Board is, as you know, evaluating what should we do on a strategic basis, to look at growth opportunities for the company in 2010. The debt—you know a lot of our fixed debt—it's difficult to pay any more down other than normal payments at this point, so most likely we would look at other uses for the cash.

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ROY MA: Would you care to comment on the possibility of a dividend? Is that in the cards?

MALE SPEAKER: It's certainly something that we have discussed and it's something we're considering and I think, you know, we've got to put it with all the other strategies—the working capital needs, the growth opportunities—and weigh all of those opportunities and make the best use of that cash.

ROY MA: Thank you very much. I'll turn it back.

MALE SPEAKER: Thanks Roy.

OPERATOR: Your next question comes from Brian Purdy of National Bank Financial, your line is now open.

BRIAN PURDY: Hi guys. I wanted to ask a little bit about the very good margins you saw in facility infrastructure in the quarter. Obviously, in terms of the last five years even, it looks like this is a record so—and last quarter was—the previous quarter—was also quite good. So I'm just wondering if there is a longer term trend that you're seeing here, or is this the result of some good pricing on these projects, that was set prior to the downturn, or can you give some colour around that situation?

MALE SPEAKER: Well I think, Brian, it's actually a combination of a couple of those things—one is that these are—you're right—contracts that

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have been in place and we've been working on for a couple of years. Secondly, I think that Flint's been able to work very hard on its delivery model, to make sure that we've have an efficiency, even in cost of reimbursable contracts, to ensure that we're recovering all of the costs on the contract, and I think as well, we've executed well during the fourth quarter—and what that means, is that we've not ended up with any little bits of costs, that the customer is not willing to reimburse because they see our efficiency in the field. So I think it's helped us execute well. I think that as we go forward, there has been some more competitive pricing—you're right—in 2009 on contracts for this year. So I think that some of that may come down a little bit—but I think we've done a real good job this year and it's been great to have a year in which they were able to execute so well.

BRIAN PURDY: Okay. You know, in terms of the current projects that you're working on—I know some of these are coming to the end in 2010—have you been able to evaluate or are you already past the point where you're not concerned about the risk of those extra costs coming in after the end of the project, or, you know, will those still be outstanding for your big projects, like Shell and the Leismer project?

MALE SPEAKER: In those contracts, you're right, we're into the point at where we're doing the close, or working toward the close-out, of

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those projects. I think, like I said, we've developed so much better systems over the last five or seven years, that we're very comfortable that we're handling any contingencies—the flow, you know, the productivity and the issues as you slow down well (phon), and I don't expect that we're going to see—having to take any reduction in margin as we close out these jobs.

BRIAN PURDY: Okay. Just sticking with that segment, but looking forward a little bit, you mentioned some of the projects that you're currently bidding on, and I wanted to maybe dig a little deeper, in terms of what you're seeing. You know, I know the Suncor—some of the Suncor projects earlier this year, were on a fixed-price basis, but more recently, was on a sort of a, I guess a cost-plus basis, can you give us some view as to what you're seeing in those new bids that are going out now?

MALE SPEAKER: With the Suncor piece, one of the reasons they were able to do it on a lump-sum basis, is because they were in suspension for a long time. They could get the engineering complete, the scope well defined and they could get contractors to actually give them a lump-sum bid for such a large piece. What tends to happen as new projects are getting designed is—even if you can lock it in on a unit-rate basis or something like that, the commencement of the projects, quite

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often, because the engineering is not complete when they start, you will start on some type of cost reimbursable basis. We're seeing the potential where we start some of these new projects on some kind of cost-reimbursable basis and then as things firm up, then we can firm up our construction costs for the client, and that takes the risk out of it for us, and takes the risk out of it for the client.

BRIAN PURDY: So maybe you can draw a picture or paint us a picture of what that might look like. I mean, if you win early work and it's on a cost-reimbursable basis, does that necessarily guarantee that you win that later work, or are they going to put that out to tender to a number of parties?

MALE SPEAKER: Quite often, if they're comfortable with a contractor, it just goes on, on a negotiated basis. You will have to submit proposals and stuff, but it's not a normal tender process that you might think of. But, by this time, each of the projects have narrowed their scope of contractors down to the folks they want to work with, and they will start looking at, and negotiating with, the companies they want to work with. There's usually a prequalifying portion and then a negotiation, after cost proposals and stuff are put in. So it's a—you know, you still have to be competitive and you have to show that you can do it and where we, as

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Flint, are willing to take some risk, is when it's risk where we're responsible for the efficiency of the units that the customer needs - whether that's welded inches or, you know, pounds of steel being built - then we're quite confident that we can execute, because we've done it so many times and control our costs and make money in that type of commercial arrangement.

BRIAN PURDY: Okay, and just following on on that—I wanted to ask about labour costs. You sort of mentioned risk—being willing to take that on in terms of execution—but in terms of labour costs, you know, are you willing to take on that type of risk as well, and maybe what are you seeing now that some of these projects are starting up - is labour cost still stable at this point?

MALE SPEAKER: Our labour has been very stable. We do have collective bargaining agreements with our CLAC labour force for these projects. We have renewed those agreements. There is some increases, but they're modest increases. I think the increases are roughly 6 to 6-1/2 percent for the coming year. So we will see some small inflation. We would price that in any type of work we're doing. It's a known amount of increase in the labour cost and I think, you know, the client's, as they ramp up this time, are going to be much smarter about not driving a lot of the silly bonuses—if you want to call them that—that we paid in the past—

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where people are getting a big uplift to be in Ft. McMurray and very large job-end bonuses and stay bonuses and living-out allowances. There's been a lot of inflation due to other things, other than just the wages, and I think that will be much more controlled and stop some of the silly inflation. I think we'll just see, you know, a normal inflation pace as projects pick up.

BRIAN PURDY: Okay, and then just on the risk side—I mean you mentioned the 2010 increase is set—I mean if you're putting in bids now, with the potential of them extending into 2011, do you feel that you can take risk—you know, that the increases will be small enough, or do you think you'll, you know, have visibility as to what those increases will be by the time you have to offer a fixed price for those projects that you're bidding on now.

MALE SPEAKER: Yes we would have the visibility.

BRIAN PURDY: Okay.

MALE SPEAKER: Yes, we would know what any cost increases were coming. So it wouldn't be a risk. Most times, the client is very understanding of that type of risk and you usually can get it in your contracts. If you did have to go, because of the overall market conditions, have to go with increases to wages, they would let you pass it through, even in a lump sum or fixed-fee type contract.

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BRIAN PURDY: Great. Changing gears a bit, I wanted to ask about maintenance services. Obviously, that continues to be stable, but you talked about some new opportunities that you're trying to push on. Is there much competition that you're seeing out there for these types of services, or is this more a decision by the customer, whether they want to outsource, or not, or are you the really only option out there?

MALE SPEAKER: Today I'm going to say that we are definitely the premier option. The maintenance model we bring with the KPI risk reward type on our profit fee, things like that—getting paid for delivering the result—that we're very good at. It's a very sophisticated model. We do have excellent maintenance planners—the types of value-add service we can bring to the client. The option the client has, is to do all of the planning and stuff themselves. Most of the other maintenance contractors are body-hire contractors, where the maintenance is all planned by the client, and just assigned to a contractor, and then the contractor works at whatever pace—and typically, in those contracts, the contractor's trying to get as many man hours in as he can. We will get more profit if we can hold the line on the man hours and be very efficient in how we do the maintenance, and collaborate with the client. So I think that we're changing the model for Canada. Other areas, like Australia, have gone to

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this model very successfully, so I'm quite excited about what we're bringing here and the clients are quite excited about it.

BRIAN PURDY: Okay, great. Thanks very much.

OPERATOR: Your next question comes from Robert Hoffman of Princeton Capital. Your line is now open.

ROBERT HOFFMAN: Good morning. Let me just follow up on that last question. Do you think it's possible, as we look out two or three years, that you'll be able to, you know, have a crew that goes from, you know, one plant to another and is fully utilized, almost twelve months of the year; or have two or three crews that kind of do that? Do you think that is where we hopefully could end up?

MALE SPEAKER: I think you have to break it into two parts for that. The first is that on the regular scheduled maintenance, the work that you do every day, those crews would stay on the specific sites, but I think, as you talked about the specialized work, like turnarounds—

ROBERT HOFFMAN: That's what I mean, yes.

MALE SPEAKER: —for specific projects, then yes, we're hoping that as we develop and get more clients, that we'll be able to look at keeping those turnaround crews busy longer during the year, be able to keep some of the specialized services, and develop that expertise rather

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than always having to build the staff for every turnaround. That certainly would be the goal.

MALE SPEAKER: That's a division of our clients and that is actually how we're doing it today. The more clients we bring onboard, the more efficient that model becomes.

ROBERT HOFFMAN: If, for some reason—can you kind of break out your fixed costs versus variable costs? Is there much fixed cost? I mean, if you have a turnaround that takes you from April through middle of May, and then you have another turnaround that starts, let's say, the beginning of July—so whatever I'd just said, a month and a half of down time—do you have a whole lot of costs that you have to carry between those two jobs?

MALE SPEAKER: On the labour and craft side, no. That would still probably still go up and down with it. On the project management side, the scheduling, the supply contracts for all materials, those parts are in the planning stages, long before the turnaround. So a lot of those would be able to stay on right through. And they're also chargeable to the jobs. If you take an example like the large one we're doing for Shell at Scottford right now, we've been in the planning phase of that with them since well—you know, mid-last year to the fall of last year—so there are people that

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would become an ability to move those from project to project, and would actually remain as a fixed cost, yes.

ROBERT HOFFMAN: And those—since you've been doing that, planning since the middle of last year, is that booked as income or revenue while it's occurring, or does it all get kind of deferred, until the actual turnaround?

MALE SPEAKER: No, that gets booked as it's incurred.

ROBERT HOFFMAN: Okay--

MALE SPEAKER: So it's all cost-plus contract.

ROBERT HOFFMAN: Gotcha.

MALE SPEAKER: It's a very small amount until you get the craft on site and you get all of your guys doing the actual work. I mean, it's planners and estimators and all of the turnaround folks that are doing the scheduling and planning and everything else.

ROBERT HOFFMAN: Gotcha. Switching gears to CAPEX; I think I scribbled down you had about 23 million in CAPEX in '09, which was down from '08. Can you give us any sense, in a steady state—I'm going to follow-up with—I want to hear a little more about what defines strategic growth initiatives. So obviously, if you're doing something different, then

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CAPEX would go up, but if you found that you had the same divisions, what should we look for in a CAPEX for 2010?

MALE SPEAKER: Well I think that's a little dependent on the individual segment. In our production services, because of the slowdown in natural gas, of course, some of our utilized equipment was underutilized, and the management of that underutilized equipment, can continue to hold down our capital expenditures, on even maintenance and replacement equipment, in those groups, until we see some growth. In some of the areas in where we're expanding, we see a little bit of capital expenditure. In moving to new locations, sometimes there's specialized equipment needed in one area of the country, that's not needed in the other. One example would be in the Marcellus. We needed some specialized trailers of a certain size because they are a little bit narrower than some of the trailers in Western Canada. So some of our growth in new areas can cause that, but in general, capital expenditures, we should be able to control maintenance CAPEX, again, pretty handily in 2010.

MALE SPEAKER: Similar. Unless activity levels pick up, it wouldn't be a lot different than the levels over the last year. You know, we've held the line pretty good.

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ROBERT HOFFMAN: So if I were to model in 25 million, something like that, that wouldn't be too far off?

MALE SPEAKER: No.

ROBERT HOFFMAN: Okay, so, kind of, back to before we get into strategic stuff and growth initiatives, why did you buy so little—I don't have the numbers in front of me—but you were authorized to buy a pretty good slug (phon) and you bought a very small fraction of that, what was the thinking there?

MALE SPEAKER: Well as we entered 2009, we had approval from our Board to spend (phon) up to a much higher number than the 23 we spent—we spent 37 the year before—and as we went through the year and looked at the decline in the gas activity, it was really a management of the capital, to ensure we weren't increasing the level of under

MALE SPEAKER: Of the normal course issuer bid.

MALE SPEAKER: oh sorry

ROBERT HOFFMAN: Yes, that's what I was talking about.

MALE SPEAKER: Well I'm sorry, I misunderstood the question. In the normal course issuer bid., we really looked at where there was a supply and demand and with the level the stock was at when we made our

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choices, to actually acquire some of the stock, during a couple of periods last year.

MALE SPEAKER: It's difficult to buy stock too under the rules of normal course issuer bid. We probably would have bought more if it was easier to buy.

ROBERT HOFFMAN: Gotcha, okay. And obviously looking back, if you could have bought a lot more at 7, right? We all would be happy. Okay, then finally, can you just kind of give us some sense of what you are talking about with strategic growth initiatives?

MALE SPEAKER: Well there's a few things we're looking at—some we're actually getting close on—they don't have huge capital cost—but we have been pursuing opportunities to bring our production equipment. You know, we're a major player in the US market, building production equipment; as some of the new areas get drilled in Canada, like Horn River, Montney (phon), and they need some field production equipment, our intent would be, to be set up in Canada, to fabricate and deliver that type of equipment to our clients in Western Canada. So that's one initiative—so it's expanding that production equipment—field production equipment line. We're looking at the potential of doing some add-on services that would complement our maintenance and our production

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services fabrication, and construction business. Value-add services to our clients—there's a couple of potentials that we're looking at right now. Again, it would be more organic, bringing some new technologies to bear for our clients, and we got one really good opportunity that we're pursuing right now.

ROBERT HOFFMAN: So it's nothing, if we're having this discussion a year from now, you don't picture having another, you know, major segment?

MALE SPEAKER: No, it would be part of our current segments.

ROBERT HOFFMAN: Okay, good. That's it for now, thank you.

OPERATOR: The next question comes from Roger Serin of TD Securities. Your line has been opened.

ROGER SERIN: Good morning everyone. I wonder if you could give me a sense of, you know, what it takes to get to, say, close to double-digit returns, in production services, in the US, in terms of revenue? You've downsized a little bit, but you're also adding new bases; so I'm just trying to get a sense of, you know, what sort of revenue base you need, given your current cost structure?

MALE SPEAKER: Well I think that you're right. The new basins give us an opportunity where we can be more active for the level of

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equipment and the facilities we have there. In some of our more mature areas, it'll take, probably—you know, we added that 40 percent decline in revenue in the US last year—we probably need to get pretty close to half of that back, I think, to be able to get well over, to get up over 10 percent again.

ROGER SERIN: Okay, so, yes, that's a good answer. And since you're talking, Paul, taxes—could you give us a bit of a sense of guidance on 2010 current taxes?

PAUL BOECHLER (Executive Vice-President and Chief Financial Officer, Flint Energy Services Ltd.): Well I think that for us, as you've heard me say in a couple of the previous calls; with the Quebec tax and a couple of those issues in the last couple of years, and the impairment charge, our normalization of our taxes is pretty hard to follow. I think in 2010, we're going to see a pretty normal tax rate in both Canada and the US for Flint. We're going to see the combined tax rate of the future and the current, in the, between 20 percent and 32 percent, depending on the revenue split—and that the cash portion of that will be probably around—and this would be—you know there's a pretty good range in that, depending on how things fall together—would probably be between 30 percent and 40 percent of those taxes.

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ROGER SERIN: Thanks—better than I had before. I think that's probably it for me. Thanks very much—good quarter.

MALE SPEAKER: Thank you.

OPERATOR: Your next question comes from Todd Garman of Peters and Company, your line is now open.

TODD GARMAN: Good morning.

MALE SPEAKER: Good morning Todd.

TODD GARMAN: In Q4, could you quantify the impact of any of the expansions in the oil field services segment, in terms of cost and what their impact might be on margin?

MALE SPEAKER: Well during Q4, the expansions in oil field services, there was the cost of relocating some equipment from—like areas like Edson, over to the Slave Lake area, but—which probably would have deteriorated margins a bit, but it wouldn't be huge. It might be \$200,000 or \$300,000 in the oil field services in Canada. We did acquire some bed (phon) trucks and a few things, but that would be included in the capital. It wasn't a lot. It might have been a couple of million dollars worth of equipment in oil field services.

TODD GARMAN: And would there be any expansion costs associated with that in Q1 of '10, or is it going to be fairly minor?

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MALE SPEAKER: I think the rent and the facilities—we haven't bought any land and buildings—the additional lease cost—in the Marcellus, it's kind of interesting. We have a 22 acre yard and we've got drilling contractors willing to pay for storage of the rigs, so our lease costs probably will not be very high. That's all we're talking about. And we have got net of some leases too, Todd, so I don't expect a big net increase in any of the fixed costs because of the expansions.

PAUL BOECHLER: I think that because of a couple of the locations in Louisiana and in the Marcellus and that—that we will have a little bit of leasehold improvements but I can't see much more than a million dollars or so, in getting these properties ready for us during the first quarter.

TODD GARMAN: Okay, and then if we think about the revenue side of the equation, should we think about revenues increasing because there were new contracts, or new clients added that didn't fully—didn't generate revenues fully in the fourth quarter, or, what does that side of it look like?

MALE SPEAKER: You would be correct. Our revenues in the first quarter in oil field services are up from the fourth quarter.

TODD GARMAN: And I guess, how much of that do you think is just up to normal activity versus—in the first quarter versus adding clients?

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MALE SPEAKER: I'm going to say 60 percent of it is because of normal activity and 40 percent of it is because of new clients.

TODD GARMAN: Okay, and then just from a pricing standpoint in that business, should we think about—are there multi-year agreements in place with your core clients, in which it might be more challenging to raise prices later this year, or what is that, what would that look like?

MALE SPEAKER: No multi-year agreements that would be fixed in price, so you can go back and renegotiate pricing every year. So what we would have had with Suncor clients for oil field services is—and I'm thinking rig moving here, is some prices fixed for this winter that they locked us down last fall on. Post this winter it's open again, in terms of us being able to reprice.

TODD GARMAN: Okay.

MALE SPEAKER: On the fluid hauling side of oil field services, we do have some multi-year agreements. They would have some normal inflation clause. If you actually gave your guys (phon) a raise or fuel prices went up or something like that, you can go back and get that put into your rates.

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TODD GARMAN: Is that—are those mechanisms, do they trigger immediately, or is there some sort of trailing basis that you need to see, before you can increase them?

MALE SPEAKER: It's a mixed bag. With some of the contracts, it's going to be a soft language that says we go to them when we need to. In others, it's going to be based on some specific timing, or some specific fuel price at the pump; it's going to be a price for diesel at the pump, where we can go back and trigger and get a price increase. So it's a mixed bag. Most of them would be the former, where it just says, you know, if there is some inflation piece, we can go back.

TODD GARMAN: Okay, great, thanks a lot.

OPERATOR: Again, if you would like to ask a question, please press star, then one on your telephone keypad. Your next question comes from Kevin Lo of First Energy; your line is now open.

KEVIN LO: Hi guys. I wanted to kind of ask you about what you think 2010 will shape out as, in the facilities division. I mean, it sounds like obviously you've finished off some work and there might be a lull in the summer. When do you think that revenue stream is going to start to pick up this year—is it going to be Q3, Q4?

MALE SPEAKER: When is which going to pick up?

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KEVIN LO: Sorry, facilities infrastructure.

PAUL BOECHLER: We won't see a rebound. And we're still—first quarter we're still quite busy.

KEVIN LO: Yes.

PAUL BOECHLER: We will see the decline. We're not into the decline yet. We'll see the decline in the second and third quarters, and we probably won't see it starting to rebound from that until probably...

MALE SPEAKER: Very late in the year, like in December, we might see some increase.

KEVIN LO: Yes.

MALE SPEAKER: We're expecting a slower third and fourth quarter in facility infrastructure. But certainly 2011 looks very good and 2012 looks good.

KEVIN LO: Okay, can you guys talk a little bit more about the lawsuits and how you might think that shapes up?

MALE SPEAKER: I wouldn't really call it a lawsuit yet. Obviously there's been a failure of a down-hole pipeline. We have not been served with anything, but we know that it's filed. This is kind of one of those things where the insurance tells them they better do it to keep a marker, in case something goes wrong. It's a case of a failed insulation on a pipeline.

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KEVIN LO: Right.

MALE SPEAKER: We did not supply the insulation. What we did was, went out and welded the line and installed the line so it's a—you know, what's being challenged, is the design of the pipeline, the, you know, the type of insulation, and so we get named in the filing.

KEVIN LO: Right.

MALE SPEAKER: —but we don't really see it as a big risk of any sort.

KEVIN LO: Okay. And I guess—I mean I know you've been asked a few times now in terms of pricing, but, are you seeing the competitors in your market, as pretty rational; or—and it sounds like prices have come back a little bit—I mean, how hard is it coming back? It is just going to be a little bit or is it, are you guys pricing back to where they should be pricing at in terms of return on capital?

MALE SPEAKER: It varies by division, certainly, in terms of where pricing is. If you look in the United States and some of our traditional areas like Kilgore, Texas, where we're usually very busy, it's still very competitive and the big margins on a specific job, specific bid, aren't real bad but our utilization is down, so our overall margins are really going to suffer - but even our big margins are going to be down some. So we

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haven't seen much of a rebound there. In the busier areas, in the shale areas, we certainly find that we can be a little bit more aggressive with our pricing, and move it up, but only slightly. And then you get to rig moving; we're seeing where you can get a good jump in price because there's not much availability. So it's a bit of a mixed bag. Overall, I would say that we're not seeing a lot of pricing power yet, Kevin.

KEVIN LO: Okay, a final question. In terms of revenue (inaudible) with you guys in terms of the, you know, production and infrastructure type of revenue. Do the bigger, unconventional wells, provide more revenue and better margins, compared to the regular—you know, more traditional conventional gas; or does it really matter at all?

MALE SPEAKER: Yes they do provide better opportunity for us. What happens is, because there's a bigger volume of gas, we're having to build bigger components—whether that's bigger pipelines, bigger production facilities; and typically with the bigger units, there's less competitors that can build them, so we've become, sometimes one of only two or three companies, that can build the big units. So we can get a little bit better margins on it.

KEVIN LO: Great, thanks, thank you.

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OPERATOR: There are no further questions at this time. I turn the call back over to you.

BILL LINGARD: Thank you, Sarah, and thanks to everyone that's still on the line, for participating in our presentation today. We look forward to talking to you again in mid-May, with our results of the first quarter of 2010. Thank you and good day.

OPERATOR: This concludes today's conference call. You may now disconnect.

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