# SECOND QUARTER REPORT

For the six months ending June 30, 2006

**Advisory Regarding Forward Looking Statements**

This document contains forward-looking statements under the heading "Outlook" and elsewhere concerning the Company's projected operating results for 2006 and beyond, and anticipated capital expenditure trends and drilling activity in the oil and natural 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 and the oil and natural gas industry generally. These factors, include, but are not limited to, fluctuations in oil and natural gas prices, fluctuations in the level of oil and natural gas industry capital expenditures and expenditures on production and remedial work and other factors that affect demand for the Company's services, industry competition, the need to effectively integrate acquired businesses, uncertainties as to the Company's ability to implement its business strategy effectively in Canada and the United States, political and economic conditions, the company's ability to attract and retain key personnel, and other risks and uncertainties described under the heading "Risk Factors" and elsewhere in the Company's Annual Information Form for the year ended December 31, 2005 and other documents filed with Canadian provincial securities authorities and available to the public at www.sedar.com. The Company does not undertake to update any forward-looking statement, whether written, or oral, that may be made from time to time by the Company or on the Company's behalf.

Unless otherwise indicated, all financial information in this document is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

The following management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's audited Consolidated Financial Statements and MD&A for the year ended December 31, 2005.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Flint is a publicly traded company listed on the Toronto Stock Exchange under the symbol "FES". Flint provides a full range of integrated midstream services to oil and natural gas producers through 46 locations in Western Canada, and the Southern and Rocky Mountain regions of the United States. These services are offered through two operating segments: Production Services and Facility Infrastructure. Production Services provides smaller-inch oil and natural gas well tie-in work, day-to-day field facility installation and maintenance services, as well as electrical, instrumentation, mechanical, safety, pressure and vacuum, fluid hauling and plant shutdown and turnaround services. Facility Infrastructure provides large capital project planning, fabrication, assembly, modularization and field installation services.

Net earnings for the quarter ended June 30, 2006 were $6.0 million on revenue of $354.7 million compared to net earnings of $8.7 million on revenue of $237.3 million for the comparative quarter in 2005. Absent the retroactive Quebec income tax assessments referred to in the Company's press release of June 26, 2006, net income would have been $18.8 million higher or $24.8 million, $16.1 million higher than the second quarter net income earned in 2005. Diluted earnings per share would have been $1.32, a full $1.00 higher than the reported $0.32 diluted earnings per share, and a record quarterly result for the Company. Funds provided by operations before changes in non-cash working capital for the second quarter of 2006 were $15.5 million compared to $16.5 million for the comparative period in 2005.

The Quebec National Assembly recently passed into law Bill 15, which included retroactive changes to the Quebec Taxation Act that has the impact of creating Quebec taxable income for the Company for the 2002, 2003, 2004 and 2005 taxation years. There remains the possibility that eventual exposure under the legislation may be reduced and the Company will pursue all avenues of appeal and planning available to mitigate the tax liability, but in accordance with Canadian generally accepted accounting principles the full $18.8 million of Quebec income tax and interest retroactively assessed has been fully expensed in the quarter ended June 30, 2006. The difference between the $18.8 million recorded and the $17.3 million referenced in the June 26, 2006 Press Release relates to interest calculated on balances arising from the assessments.

In May 2006, the Company issued 2.0 million shares under a primary share offering raising net proceeds of $110.9 million. These funds will be used to purchase capital assets and make acquisitions to further the Company's growth strategy. Upon receipt of the funds from the share offering, operating lines provided under the Company's lending agreement were paid down.

Operationally the Company continues to see revenue increases in all of its operating divisions due to higher customer demand and continued execution of Flint's backlog of work related to oilsands development. Revenue in the second quarter of 2006 was $117.4 million or 49.5% higher than the second quarter of 2005. Second quarter of 2006 revenue of $354.7 million is the highest quarterly revenue figure achieved by the Company. Second quarter consolidated gross margin of 21.0% increased as compared to the prior year's 18.8% gross margin due to the improvements in the Facility Infrastructure operating segment margins in Canada and the United States, as well as for Production Service operating segment margins in the United States. Canadian Production Service operating segment margins remained constant when comparing second quarter year-over-year margins. The combination of higher revenue and higher average margins produced an increase in gross profit of $29.9 million compared to the second quarter of 2005.

## CONSOLIDATED FINANCIAL RESULTS

### Summary of Consolidated Financial Results

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| (in millions of Canadian dollars, except share data) | **2006** | 2005 | **2006** | 2005 |
| Revenue | **$ 354.7** | $ 237.3 | **$ 687.5** | $ 490.8 |
| EBITDA[1] | **46.0** | 24.1 | **86.8** | 55.1 |
| Net earnings | **6.0** | 8.7 | **24.9** | 22.3 |
| per common share – basic | **0.33** | 0.52 | **1.41** | 1.34 |
| per common share – diluted | **0.32** | 0.52 | **1.38** | 1.34 |
| Funds provided by operations before changes in non-cash working capital | **15.5** | 16.5 | **37.0** | 37.8 |

| | **Three months ended June 30, 2006** | **Six months ended June 30, 2006** |
|---|---|---|
| Net earnings excluding Quebec retroactive income tax assessments | **$ 24.8** | **$ 43.7** |
| Per common share – diluted – excluding Quebec retroactive income tax assessments | **1.32** | **2.42** |
| Funds provided by operations before changes in non-cash working capital – excluding Quebec retroactive income tax assessments | **34.3** | **55.8** |

| | **June 30 2006** | December 31 2005 |
|---|---|---|
| Working capital | **$ 252.0** | $ 212.7 |
| Total assets | **847.9** | 734.5 |
| Shareholders' equity | **496.1** | 354.7 |

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

### Revenues

Revenues for the three-month and six-month periods ended June 30, 2006 increased to $354.7 million and $687.5 million, respectively from $237.3 million and $490.8 million for the same periods in the prior year. The second quarter 49.5% increase and the six-month 40.1% increase in year-over-year revenue are due to increased activity levels in both the Company's Facility Infrastructure and Production Services operating segments.

Of the second quarter year-over-year $117.4 million increase in revenue, approximately one-third was from the Facility Infrastructure operating segment. The increase in revenue from the Infrastructure business unit was primarily driven by the continued execution of Flint's backlog of work related to oilsands development. Sales of natural gas processing units in the United States also increased in the second quarter of 2006 as compared to the second quarter of 2005 due to continued customer demand for the products produced by the Company's wholly owned subsidiary, J.W. Williams Inc. The remaining two-thirds of the $117.4 million increase in revenue is from increased activity levels in Canada and the United States Production Services operations, primarily driven from the increase in work being awarded from existing customers for which the Company has preferred or alliance type contractual arrangements. The majority of the increase in revenue comes from customer activity in the Southwestern United States and Northern and Eastern Alberta regions. Partially offsetting these increases is a lower activity level in Southern Alberta due to delays in permitting or customer startup on a number of projects.

Of the six-month year to date $196.7 million increase in revenue from the corresponding six months of 2005, approximately one-third was from the Facility Infrastructure business segment due to the successful execution of Flint's backlog of work related to oilsands development and increases in sales of natural gas processing units in the United States. The remaining two-thirds increase in revenue was due to increases from both Canadian and United States Production Services activity levels, as customer demand increased in both geographic segments.

### Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA")

EBITDA for the three-month and six-month periods ended June 30, 2006 increased from the corresponding periods in the prior year as a result of increased revenue. Gross profit as a percentage of revenue increased to 21.0% and 20.7% for the three-months and six-months ending June 30, 2006 respectively as compared the 18.8% and 19.6% for the same respective periods in 2005 as a result of increases in pricing achieved by the United States Production Services operating segment throughout the six months of 2006 and favorable changes to estimates in the second quarter of 2006 related to the forecasted revenue on the completion of oilsands related projects. Accounting for revenue on long-term oilsands related projects is governed by SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts," and requires a process of measuring the results of relatively long-term events and allocating those results to relatively short-term accounting periods. This involves the use of estimates in determining revenues and gross margins and in assigning the amounts to accounting periods. The Company continually evaluates the uncertainties inherent in the performance of contracts and must rely on these estimates. As a project gets closer to completion estimates contain fewer uncertainties and revenue and gross margins can be more accurately estimated. Second quarter margins were also positively impacted in 2006 due to the Alberta Workers Compensation Board ("WCB") providing a refund related to the over funding of claims provisions in prior years. The Company also received a WBC rebate for its superior safety performance.

General and administrative expenses as a percentage of revenue of 8.0% and 8.1% for the respective three-month and six-month periods ending June 30, 2006 declined from the 8.6% and 8.4% respective figures achieved in the same periods in 2005. While the percentage declined, total costs increased $8.0 million and $14.4 million over these respective periods due to increases in salaries, benefits and bonuses required to manage the increase in Company activity and stay competitive in a tight labour market. In addition, the Company has incurred increases in relocation and recruiting costs to move employees to new locations or increase staff in both operating and administrative positions. Office and related costs increased due to the opening of new field offices in the latter periods of 2005 in Hobbs, New Mexico, Cleburne, Texas, and Strathmore, Alberta. The Company's general and administrative costs also increased due to a 49% interest in a Joint Venture, located in Inuvik, Northwest Territories, which was acquired in the fourth quarter of 2005, as well as the lease of additional office space in Calgary, Alberta in the fourth quarter of 2005 to provide space for additional employees required to manage the increase in oilsands related projects. Legal representation fees and a fine of $100 thousand U.S. related to a subpoena received in the first month of 2006 from the U.S. Department of Justice, Antitrust Division totaled $1.9 million. No further costs are anticipated.

### Net Earnings

Net earnings for the three-months ending June 30, 2006 decreased to $6.0 million from $8.7 million for the same period in 2005. Earnings from operations increased $21.8 million or 131.8% in the second quarter of 2006 as compared to the second quarter of 2005, however due to the recording of $15.5 million of income taxes and $3.3 million of arrears interest for reassessments from the province of Quebec the higher earnings from operations did not translate into higher net income for the quarter. The Quebec National Assembly recently passed into law Bill 15, which included retroactive changes to the Quebec Taxation Act that has the impact of creating Quebec taxable income for the Company for the 2002, 2003, 2004 and 2005 taxation years. There remains the possibility that eventual exposure under the legislation may be reduced and the Company will pursue all avenues of appeal and planning available to mitigate the tax liability, but in accordance with Canadian generally accepted accounting principles the full amount of the Quebec reassessments have been fully expensed in the quarter ended June 30, 2006. Absent the Quebec reassessments, net income in the second quarter of 2006 would have been $24.8 million, $16.1 million or 185.1% higher then the net income achieved in the same period in 2005.

Amortization expense for the second quarter of 2006 decreased by $0.3 million and in the first six months of 2006 increased by $0.3 million as compared to the same periods in 2005 due to the timing of the acquisition of small tools and equipment and the disposition of older assets and older assets becoming fully depreciated in the periods.

Interest expense for the three-month period ended June 30, 2006 increased by $2.8 million due to $3.3 million of arrears interest assessed by the province of Quebec related to retroactive income tax legislation. Upon receiving the proceeds from the issue of 2.0 million shares under a primary share offering, which closed in May 2006, operating lines provided under the Company's lending facilities were paid down eliminating interest on these facilities for the remainder of the quarter. Interest on term facilities and capital leases are primarily at fixed rates and therefore this component of the second quarter's interest expense did not vary significantly from the same period last year.

Interest income of $0.4 million was earned in the second quarter of 2006 on surplus cash invested in short term secured investments. The surplus cash resulted from the receipt of proceeds from the issue of 2.0 million shares in May 2006.

Income tax expense for the three-month and six-month periods ended June 30, 2006 increased due to the recording of $15.5 million related to assessments received from the province of Quebec. In future periods income tax rates should be consistent with typical Canadian public company tax rates.

### Comparative Quarterly Results

A number of factors contribute to variations in the Company's results between periods such as weather, customer capital spending affected by oil and natural gas commodity prices, seasonal behaviors in customer spending such as plant shutdown work, the Company's ability to manage its project related business to avoid or minimize periods of relative inactivity due to project scheduling, fluctuations in the Canada U.S. exchange rate applicable to translating the revenue and expenses of the Company's U.S. operations to Canadian dollars, and changes with the Company's service offerings as it strives to find the optimum portfolio of services to meet customer needs.

| | **2006** | | 2005 | | | | 2004 | |
|---|---|---|---|---|---|---|---|---|
| (in millions of Canadian dollars, except share data) | **Q2** | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Revenue | **$354.7** | $332.8 | $292.8 | $247.5 | $237.3 | $253.5 | $205.4 | $187.8 |
| Net earnings (loss) | **6.0** | 18.8 | 11.6 | 11.8 | 8.7 | 13.7 | 5.2 | 4.7 |
| per common share-basic | **0.33** | 1.12 | 0.69 | 0.70 | 0.52 | 0.82 | 0.31 | 0.29 |
| per common share-diluted | **0.32** | 1.09 | 0.68 | 0.69 | 0.52 | 0.82 | 0.31 | 0.29 |

| | **2006** |
|---|---|
| (in millions of Canadian dollars) | **Q2** |
| Net earnings excluding Quebec retroactive income tax assessments | **24.8** |
| per common share – diluted – excluding Quebec retroactive income tax assessments | **1.32** |

Increases in revenue, in the most recent quarters, are primarily due to securing contracts related to oilsands development and from increased demand for the Company's services from customers who are developing natural gas reserves. The first and second quarters of 2006 were the highest revenue quarters in the Company's history. The $1.09 and $1.32 (exclusive of Quebec retroactive income tax assessments) diluted earnings per share figures achieved in the first and second quarters of 2006 were also record levels for the Company.

## RESULTS OF OPERATIONS

The Company operates under two operating segments, Production Services and Facility Infrastructure. Production Services offers smaller-inch pipeline tie-ins for oil and gas wells, day-to-day field facility installation and maintenance services, and Facility Infrastructure offers large capital project planning, fabrication, assembly, modularization and field installation services, and mid-inch pipeline installations.

### Selected Segmented Information

| | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions of Canadian dollars) | **2006** | | 2005 | | **2006** | | 2005 | |
| **Revenue by operating segment** | | | | | | | | |
| Production Services | **$213.3** | **60.1 %** | $136.2 | 57.4 % | **$412.4** | **60.0 %** | $277.2 | 56.5 % |
| Facility Infrastructure | **141.4** | **39.9** | 101.1 | 42.6 | **275.1** | **40.0** | 213.6 | 43.5 |
| Total | **$354.7** | **100.0 %** | $237.3 | 100.0 % | **$687.5** | **100.0 %** | $490.8 | 100.0 % |
| | | | | | | | | |
| **EBITDA[1] by operating segment** | | | | | | | | |
| Production Services | **$27.2** | **59.1 %** | $16.3 | 67.6 % | **$55.0** | **63.4 %** | $34.5 | 62.6 % |
| Facility Infrastructure | **18.8** | **40.9** | 7.8 | 32.4 | **31.8** | **36.6** | 20.6 | 37.4 |
| Total | **$46.0** | **100.0 %** | $24.1 | 100.0 % | **$86.8** | **100.0 %** | $55.1 | 100.0 % |

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

### Production Services

Production Services revenues for the three-month and six-month periods ended June 30, 2006 increased by 56.7% and 48.8% to $213.3 million and $412.4 million respectively. The second quarter increase is primarily driven from the increase of work being awarded from existing customers for which the Company has preferred or alliance type contractual arrangements. The majority of the increase in revenue comes from customer activity in the Southwestern United States and Northern and Eastern Alberta. Partially offsetting these increases is a lower activity level being experienced in Southern Alberta due to delays in permitting or customer startup on a number of projects.

EBITDA increased in the three-month and six-month periods by $10.9 million and $20.5 million respectively due to the increase in revenues achieved year-over-year and due to improved margins from both the Canadian and United States Production Services operating segments as a result of a combination of price increases and incremental work being performed on an hourly rate basis rather than on fixed fees.

### Facility Infrastructure

Facility Infrastructure revenue for the three-month and six-month periods ended June 30, 2006 increased by 39.8% and 28.8% to $141.4 million and $275.1 million respectively. The second quarter increase is due to favorable changes to estimates related to the forecasted revenue on the completion of oilsands projects. Accounting for revenue on long-term oilsands projects is governed by SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts," and requires a process of measuring the results of relatively long-terms events and allocating those results to relatively short-term accounting periods. This involves the use of estimates in determining revenues and gross margins and in assigning the amounts to accounting periods. The Company continually evaluates the uncertainties inherent in the performance of contracts and must rely on these estimates. As a project gets closer to completion estimates contain fewer uncertainties and revenue and gross margins can be more accurately estimated.

EBITDA increased in the three-month and six-month periods by $11.0 million and $11.2 million year-over-year due to increased revenue and margin achieved as well as the impact of Facility Infrastructure's share of a WCB refund.

## CONSOLIDATED FINANCIAL POSITION

At June 30, 2006, the Company's net working capital position was $252.0 million compared to $212.7 million at December 31, 2005. The increase in net working capital was due to an increase in unbilled revenue, which has grown in conjunction with the increase in revenue from the Facility Infrastructure contract activity, as well as due to the receipt of proceeds from the issuance of 2.0 million shares under a primarily share offering in May 2006.

Accounts payable and accrued liabilities increased to $125.6 million at June 30, 2006 from $115.0 million at December 31, 2005. The increase in accounts payable and accrued liabilities is due to the increase in activity the Company has experienced.

Income tax payable has increased to $36.8 million at June 30, 2006 from $11.0 at December 31, 2005 primarily due to the accrual of $18.8 million dollars of Quebec retroactive income taxes and interest charges assessed pursuant to the introduction of Quebec's Bill 15. Income taxes payable at December 31, 2005 were paid in the first quarter of 2006 and the remaining income taxes payable net of the $18.8 million accrual for Quebec income taxes and interest is due to the accrual of taxes for the current year's taxable income net of installments made to date.

Long-term debt, including current portion, decreased by $69.5 million at June 30, 2006 from the balance at the end of the prior fiscal year due to the pay down of the Canadian and U.S. revolving operating loans pursuant to receiving $110.9 million of net proceeds from the primary share offering that closed in May 2006.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of capital are cash flows from operations and borrowings under its senior credit facility. In the second quarter of 2006, the Company received net proceeds of $110.9 million on the issuance of 2.0 million shares under a primary share offering. The Company's principal uses of cash are to purchase property, plant and equipment, fulfill lease payment obligations and finance working capital.

### Selected Cash Flow and Capitalization Data

| (in millions of Canadian dollars) | Three months ended June 30 2006 | 2005 | Six months ended June 30 2006 | 2005 |
|---|---|---|---|---|
| Funds provided by operations before changes in non-cash working capital | **$ 15.5** | $ 16.5 | **$ 37.0** | $ 37.8 |
| Cash (used in) provided by operating activities | **63.3** | (5.2) | **55.0** | 12.3 |
| Cash flow to interest bearing debt (%) [1 & 2] | **42.1** | 30.1 | **50.2** | 34.5 |

| | June 30 2006 | December 31 2005 |
|---|---|---|
| Long-term debt (including current portion) | **$ 147.4** | $ 216.9 |
| Debt to total capitalization (%) [1 & 3] | **22.9** | 37.9 |

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

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

3 Debt to total capitalization, expressed as a percentage, is equal to debt divided by total capitalization. Debt is equal to long-term debt including the current portion. Total capitalization is equal to long-term debt including the current portion plus shareholders' equity.

### Cash Flow and Liquidity

Funds provided by operations before changes in non-cash working capital for the second quarter of 2006 decreased by $1.0 million due to the accrual of $18.8 million related to Quebec retroactive income tax assessments. In the absence of this accrual funds provided by operations before changes in non-cash working capital would have increased by $17.8 million, more than double the amount reported in the prior year's second quarter. For the first six-months of 2006 funds provided by operations before changes in non-cash working capital decreased by $0.8 million; however after adjusting for Quebec taxes a net increase of $18.0 million would have been experienced as compared to the same period in 2005.

During the three-month and six-month periods ended June 30, 2006, the Company purchased property, plant and equipment totaling $10.3 million and $16.6 million respectively. For both periods the expenditures primarily related to the replacement of vehicles and equipment and the development of properties required to meet the Company's increased operating requirements. During the six-month period ending June 30, 2006, the Company realized proceeds from the disposal of property, plant and equipment totaling $2.9 million of which $1.9 million related to dispositions in the second quarter. The assets disposed of primarily relate to older vehicles and equipment, which are being replaced by newer equipment.

During the six-month period ended June 30, 2006, the Company decreased its long-term debt position (including current portion) by $69.5 million as the Company paid down the Canadian and U.S. revolving operating loans pursuant to receiving $110.9 million of net proceeds from a primary share offering that closed in May 2006.

#### Debt Repayment Obligations

| | Maturity | | | | |
|---|---|---|---|---|---|
| (in millions of Canadian dollars) | Less than 1 year | 2 - 3 years | 4 - 5 years | In excess of 5 years | Total |
| | $ 4.5 | $ 26.0 | $ 97.3 | $ 19.6 | $ 147.4 |

The company has a $115 million Canadian and an $18 million U.S. revolving operating loan facility, which is included in long-term debt, as the terms of the facility do not require repayment within a one-year period. At June 30, 2006 the Company had utilized none of the Canadian facility and $6.8 million U.S. of the U.S. facility.

## OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of Class A common voting shares and an unlimited number of redeemable convertible preferred shares. As at June 30, 2006, 19,092,278 Class A common voting shares were outstanding compared to 16,867,426 as at December 31, 2005. No redeemable convertible preferred shares were outstanding during or at the end of either of these periods. Certain employees, officers and directors of the Company have been granted options to purchase common shares under the Company's incentive stock option plan.

## OUTLOOK

Flint will continue to enjoy strong activity levels in the United States Production Service operating segment as the Company is well positioned in areas where natural gas drilling continues to be strong. In Canada, delays experienced by customers in the first half of the year due to permitting or internal resource issues have been resolved and the Company anticipates a recovery of demand in Southern Alberta and increases in demand for the Company's central region offices in the second half of the year. Increased revenue will be generated from the acquisition of the Denmar Energy Service Group which was completed early in the third quarter of this year. The management and people of Denmar will contribute greatly to our overall efforts in our Eastern Alberta region.

Flint's scope on existing oilsands related contracts has increased and will continue to produce strong results. The Company anticipates signing contracts for additional oilsands work in the second half of the year, once the Company's customers receive internal and regulatory approval for projects that Flint is currently estimating.

People resources continue to be the Company's biggest challenge and substantial resources are being dedicated to recruitment and retention efforts. To date all projects have been adequately staffed and it is anticipated that the Company will be able to obtain sufficient resources to complete the work schedule for the second half of the year.

## CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)

| As at | **June 30, 2006** (unaudited) | December 31, 2005 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash | **$ 67,186** | $ 10,474 |
| Accounts receivable | **186,358** | 205,305 |
| Revenue in excess of billings | **148,535** | 104,391 |
| Inventories | **23,272** | 22,797 |
| Income taxes receivable | **237** | 244 |
| Future income tax assets | **5,105** | 2,464 |
| Prepaids and other current assets | **5,497** | 7,433 |
| | **436,190** | 353,108 |
| Property, plant and equipment | **178,630** | 180,021 |
| Goodwill | **197,496** | 198,176 |
| Intangible assets, net of accumulated amortization of $3,382 (2005 - $2,978) | **1,345** | 1,749 |
| Future income tax assets | **2,154** | 818 |
| Deposit on acquisition (note 7) | **30,597** | – |
| Other assets | **1,489** | 584 |
| | **$ 847,901** | $ 734,456 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable and accrued liabilities | **$ 125,591** | $ 114,985 |
| Billings in excess of revenue | **9,738** | 3,134 |
| Income taxes payable | **36,827** | 10,986 |
| Future income tax liabilities | **7,536** | 5,893 |
| Current portion of long-term debt | **4,547** | 5,408 |
| | **184,239** | 140,406 |
| Long-term debt | **142,807** | 211,471 |
| Future income tax liabilities | **24,707** | 27,875 |
| | **167,514** | 239,346 |
| **Shareholders' equity:** | | |
| Capital stock (note 3) | **322,670** | 203,250 |
| Contributed surplus | **5,285** | 5,478 |
| Retained earnings | **184,922** | 160,062 |
| Cumulative translation account | **(16,729)** | (14,086) |
| | **496,148** | 354,704 |
| Commitments and contingencies (Note 5) | | |
| Subsequent events (Note 7) | | |
| | **$ 847,901** | $ 734,456 |

See accompanying notes to interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

| (unaudited)<br>(in thousands of Canadian dollars, except share data) | **Three months ended June 30, 2006** | Three months ended June 30, 2005 | **Six months ended June 30, 2006** | Six months ended June 30, 2005 |
|---|---|---|---|---|
| Revenue | **$ 354,708** | $ 237,334 | **$ 687,515** | $ 490,845 |
| Direct costs | **280,323** | 192,823 | **545,139** | 394,590 |
| Gross profit | **74,385** | 44,511 | **142,376** | 96,255 |
| General and administrative expenses | **28,381** | 20,367 | **55,553** | 41,106 |
| Stock based compensation expense | **928** | 504 | **1,710** | 705 |
| Amortization | **6,794** | 7,123 | **14,307** | 13,990 |
| | **38,282** | 16,517 | **70,806** | 40,454 |
| Interest expense (note 6) | **6,361** | 3,564 | **10,020** | 7,181 |
| Interest income | **(427)** | - | **(427)** | – |
| Earnings before income taxes | **32,348** | 12,953 | **61,213** | 33,273 |
| Income taxes: | | | | |
| Current (note 6) | **24,560** | 4,177 | **40,074** | 10,187 |
| Future (recovery) | **1,759** | 90 | **(3,721)** | 739 |
| | **26,319** | 4,267 | **36,353** | 10,926 |
| Net earnings | **6,029** | 8,686 | **24,860** | 22,347 |
| Retained earnings, beginning of period | **178,893** | 127,979 | **160,062** | 114,318 |
| Retained earnings, end of period | **$ 184,922** | $ 136,665 | **$ 184,922** | $ 136,665 |
| Earnings per share: | | | | |
| Basic | **$ 0.33** | $ 0.52 | **$ 1.41** | $ 1.34 |
| Diluted | **$ 0.32** | $ 0.52 | **$ 1.38** | $ 1.34 |
| Weighted average common shares: | | | | |
| Basic | **18,315,921** | 16,684,872 | **17,600,816** | 16,653,389 |
| Diluted | **18,817,045** | 16,787,328 | **18,031,775** | 16,737,408 |

See accompanying notes to interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| (unaudited)<br>(in thousands of Canadian dollars) | **Three months ended June 30, 2006** | Three months ended June 30, 2005 | **Six months ended June 30, 2006** | Six months ended June 30, 2005 |
|---|---|---|---|---|
| **Cash provided by (used in):** | | | | |
| **Operating activities:** | | | | |
| Net earnings | **$ 6,029** | $ 8,686 | **$ 24,860** | $ 22,347 |
| Items not affecting cash: | | | | |
| Amortization of property, plant and equipment | **6,602** | 6,913 | **13,903** | 13,571 |
| Amortization of intangible assets | **192** | 210 | **404** | 419 |
| Loss (gain) on disposal of property, plant and equipment | **23** | 101 | **(178)** | 33 |
| Stock based compensation expense | **928** | 504 | **1,710** | 705 |
| Future income taxes | **1,759** | 90 | **(3,721)** | 739 |
| Funds provided by operations before changes in non-cash working capital | **15,533** | 16,504 | **36,978** | 37,814 |
| Changes in non-cash balances relating to operations | **47,739** | (21,725) | **18,068** | (25,495) |
| | **63,272** | (5,221) | **55,046** | 12,319 |
| **Investing activities:** | | | | |
| Acquisition of subsidiary, net of cash acquired | **(500)** | – | **(500)** | – |
| Deposit on acquisition | **(30,597)** | – | **(30,597)** | – |
| Purchase of property, plant and equipment | **(10,265)** | (8,588) | **(16,603)** | (15,869) |
| Proceeds from disposal of property, plant and equipment | **1,868** | 2,299 | **2,940** | 2,747 |
| | **(39,494)** | (6,289) | **(44,760)** | (13,122) |
| **Financing activities:** | | | | |
| Proceeds from long-term debt | **33,618** | 15,606 | **74,644** | 36,739 |
| Repayments of long-term debt | **(106,040)** | (15,324) | **(144,169)** | (40,985) |
| Deferred financing costs | **–** | (28) | **–** | (59) |
| Proceeds from issue of capital stock on exercise of options | **3,774** | 505 | **5,028** | 1,993 |
| Proceeds from primary share offering | **116,000** | – | **116,000** | – |
| Issue costs related to primary share offering | **(5,077)** | – | **(5,077)** | – |
| | **42,275** | 759 | **46,426** | (2,312) |
| Increase (decrease) in cash | **66,053** | (10,751) | **56,712** | (3,115) |
| Cash, beginning of period | **1,133** | 10,859 | **10,474** | 3,223 |
| Cash, end of period | **$ 67,186** | $ 108 | **$ 67,186** | $ 108 |
| Supplemental cash flow information: | | | | |
| Cash paid (received) during the period for: | | | | |
| Interest paid | **$ 2,897** | $ 3,756 | **$ 6,546** | $ 7,373 |
| Interest received | **$ (169)** | $ – | **$ (169)** | $ – |
| Income taxes | **$ 5,916** | $ (3,299) | **$ 17,435** | $ (2,021) |

See accompanying notes to interim consolidated financial statements.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six Months Ended June 30, 2006

(in thousands of Canadian dollars, except share data and stock option exercise prices)

### 1. SEGMENTED INFORMATION

#### Operating Segments

(unaudited)

(in thousands of Canadian dollars)

| **Three months ended June 30, 2006** | **Production Services** | **Facility Infrastructure** | **Total** |
|---|---|---|---|
| Revenue | **$ 213,329** | **$ 141,379** | **$ 354,708** |
| EBITDA[1] | **27,234** | **18,770** | **46,004** |
| Amortization | | | **6,794** |
| Earnings from operations [1] | | | **38,282** |
| Capital expenditures | **8,174** | **2,091** | **10,265** |
| Goodwill | **144,680** | **52,816** | **197,496** |
| Total assets | **520,936** | **326,965** | **847,901** |

(unaudited)

(in thousands of Canadian dollars)

| Three months ended June 30, 2005 | Production Services | Facility Infrastructure | Total |
|---|---|---|---|
| Revenue | $ 136,181 | $ 101,153 | $ 237,334 |
| EBITDA[1] | 16,334 | 7,810 | 24,144 |
| Amortization | | | 7,123 |
| Earnings from operations [1] | | | 16,517 |
| Capital expenditures | 4,523 | 4,065 | 8,588 |
| Goodwill | 145,604 | 53,338 | 198,942 |
| Total assets | 407,069 | 262,828 | 669,897 |

(unaudited)

(in thousands of Canadian dollars)

| **Six months ended June 30, 2006** | **Production Services** | **Facility Infrastructure** | **Total** |
|---|---|---|---|
| Revenue | **$ 412,441** | **$ 275,074** | **$ 687,515** |
| EBITDA[1] | **54,978** | **31,845** | **86,823** |
| Amortization | | | **14,307** |
| Earnings from operations [1] | | | **70,806** |
| Capital expenditures | **13,478** | **3,125** | **16,603** |
| Goodwill | **144,680** | **52,816** | **197,496** |
| Total assets | **520,936** | **326,965** | **847,901** |

(unaudited)

(in thousands of Canadian dollars)

| Six months ended June 30, 2005 | Production Services | Facility Infrastructure | Total |
|---|---|---|---|
| Revenue | $ 277,256 | $ 213,589 | $ 490,845 |
| EBITDA[1] | 34,507 | 20,642 | 55,149 |
| Amortization | | | 13,990 |
| Earnings from operations [1] | | | 40,454 |
| Capital expenditures | 9,451 | 6,418 | 15,869 |
| Goodwill | 145,604 | 53,338 | 198,942 |
| Total assets | 407,069 | 262,828 | 669,897 |

### Geographic Segments

(unaudited)

(in thousands of Canadian dollars)

| **Three months ended June 30, 2006** | **Canada** | **United States** | **Total** |
|---|---|---|---|
| Revenue | **$ 265,478** | **$ 89,230** | **$ 354,708** |
| Property, plant and equipment | **142,122** | **36,508** | **178,630** |
| Goodwill | **164,533** | **32,963** | **197,496** |
| Total assets | **684,451** | **163,450** | **847,901** |

(unaudited)

(in thousands of Canadian dollars)

| Three months ended June 30, 2005 | Canada | United States | Total |
|---|---|---|---|
| Revenue | $ 170,970 | $ 66,364 | $ 237,334 |
| Property, plant and equipment | 139,713 | 31,335 | 171,048 |
| Goodwill | 162,904 | 36,038 | 198,942 |
| Total assets | 534,074 | 135,823 | 669,897 |

(unaudited)

(in thousands of Canadian dollars)

| **Six months ended June 30, 2006** | **Canada** | **United States** | **Total** |
|---|---|---|---|
| Revenue | **$ 517,245** | **$ 170,270** | **$ 687,515** |
| Property, plant and equipment | **142,122** | **36,508** | **178,630** |
| Goodwill | **164,533** | **32,963** | **197,496** |
| Total assets | **684,451** | **163,450** | **847,901** |

(unaudited)

(in thousands of Canadian dollars)

| Six months ended June 30, 2005 | Canada | United States | Total |
|---|---|---|---|
| Revenue | $ 367,557 | $ 123,288 | $ 490,845 |
| Property, plant and equipment | 139,713 | 31,335 | 171,048 |
| Goodwill | 162,904 | 36,038 | 198,942 |
| Total assets | 534,074 | 135,823 | 669,897 |

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

## 2. BASIS OF PRESENTATION

These interim consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada. They do not include all the disclosures as required for annual financial statements under generally accepted accounting principles. The interim consolidated financial statements include the accounts of Flint Energy Services Ltd. and all subsidiary companies. All subsidiary companies are wholly owned and all material intercompany accounts and transactions have been eliminated. The Company proportionately consolidates its interests in joint ventures. The interim consolidated financial statements follow the same significant accounting policies as described and used in the most recent annual report of the Company for the year ended December 31, 2005 and should be read in conjunction with that report.

The preparation of the interim consolidated financial statements require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results may differ from those estimates and assumptions.

A number of factors contribute to variations in the Company's results between periods such as weather, customer capital spending affected by oil and natural gas commodity prices, seasonal behaviors in customer spending such as plant shutdown work, the Company's ability to manage its project related business so as to avoid or minimize periods of relative inactivity due to project scheduling, fluctuations in the Canada U.S. exchange rate applicable to translating the revenue and expenses of the Company's U.S. operations to Canadian dollars, and changes with the Company's service offerings as it strives to find the optimum portfolio of services to meet customer needs.

## 3. CAPITAL STOCK

### a) Issued capital stock

| | Common Shares Class A Shares | Amount |
|---|---|---|
| Balances at December 31, 2005 | 16,867,426 | $ 203,250 |
| Shares issued for cash in conjunction with: | | |
| Exercised employee stock options | 224,852 | 5,029 |
| Transfer from contributed surplus for stock options exercised | – | 1,903 |
| Primary share offering, May 2006, net of share issue costs | 2,000,000 | 112,488 |
| Balances at June 30, 2006 | 19,092,278 | $ 322,670 |

**b)** The Company has an incentive stock option plan for certain employees, officers and directors. Options issued under the plan may be exercised at a rate of 1/3 on the three subsequent award date anniversaries. Options granted pursuant to the plan may be exercised over specified periods not to exceed 5 years from the date granted. At June 30, 2006, 1,181,206 common shares remained reserved for issuance under the option plan.

| | Shares | Weighted Average Exercise Price |
|---|---|---|
| Options | | |
| Outstanding at December 31, 2005 | 811,402 | $ 23.40 |
| Granted | 533,000 | 48.71 |
| Cancelled | (9,683) | 45.26 |
| Exercised | (224,852) | 22.36 |
| Outstanding at June 30, 2006 | 1,109,867 | $ 35.57 |
| Options exercisable at June 30, 2006 | 392,222 | $ 22.68 |

## 4. EARNINGS PER SHARE

Included in the diluted number of common shares for the six-month period ending June 30, 2006 is 430,959 stock options (84,019 at June 30, 2005).

## 5. COMMITMENTS AND CONTINGENCIES

At June 30, 2006, the Company was involved in various legal claims related to the normal course of operations. Management believes that it has adequately provided for these legal claims.

In January 2006, Flint Energy Services Inc., a wholly owned subsidiary with operations in Farmington, New Mexico, received a subpoena from the United States Department of Justice, Antitrust Division, requiring it to produce documents and other information in connection with an investigation of bidding practices in the Company's Farmington office with one customer. Legal representation fees and a fine of $100 thousand U.S. related to the subpoena totaled $1.9 million. No further costs are anticipated.

## 6. INCOME TAXES

In 2002 the Company commenced using a Quebec Trust as part of its corporate structure. The Quebec National Assembly recently passed into law Bill 15 to amend the Quebec Taxation Act and other legislative provisions. Bill 15 includes retroactive changes to the Act that has the impact of creating Quebec taxable income for the Company for the 2002, 2003, 2004 and 2005 taxation years. Notice of reassessments, dated June 28, 2006 for these years amount to $15,457,000 of income taxes and $3,349,000 of interest for a total reassessment of $18,806,000. The Company is considering alternatives to reduce the potential exposure for Quebec tax created as a result of this retroactive legislation, but in accordance with Canadian generally accepted accounting principles these amounts have been fully provided for in the Company's second quarter results as income taxes and interest expense. There remains the possibility that the eventual exposure under the legislation may be reduced and the Company will pursue all avenues of appeal and planning available to mitigate the tax liability.

Actual income tax expense differs from the "expected" income tax expense that would have been computed by applying the statutory income tax rates as follows:

| Six Months Ended June 30, 2006 | |
|---|---|
| Federal, provincial and state statutory income tax rates | 32.9% |
| | |
| Expected income tax expense | $ 20,139 |
| Changes in income tax expense resulting from: | |
| Jurisdictional tax rate differences | 853 |
| Changes in tax rates impacting future income tax balances | (2,044) |
| Quebec retroactive tax reassessment | 15,455 |
| Non-deductible interest from Quebec tax reassessments | 1,101 |
| Other non-deductible items | 700 |
| Other | 149 |
| Actual income tax expense | $ 36,353 |

## 7. SUBSEQUENT EVENTS

Effective July 4, 2006, the Company acquired the business of Denmar Energy Services Group ("Denmar") for estimated cash and share consideration of approximately $30.6 million plus or minus a working capital adjustment. Denmar, a privately held company with operations based in Bonnyville, Alberta, provides small diameter pipeline, 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 natural gas installations.

## 8. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to current period presentation.

# CORPORATE INFORMATION

## DIRECTORS

**John Geddes**
Chairman of the Board
Flint Energy Services Ltd.
Calgary, Alberta

**Brian Butlin**
Vice Chairman of the Board
Flint Energy Services Ltd.
Edmonton, Alberta

**W.J. (Bill) Lingard**
President and Chief Executive Officer
Flint Energy Services Ltd.
Calgary, Alberta

**John Bates**
President and Chief Executive Officer
Flint Industries Inc.
Tulsa, Oklahoma

**Stuart O'Connor**
President
Timber Ridge Capital Ltd.
Calgary, Alberta

**Lyle Reid**
President
Reid Equity Ventures
Sherwood Park, Alberta

**Douglas E. Swanson**
President and Chief Executive Officer
Oil States International Inc.
Houston, Texas

## OFFICERS

**W.J. (Bill) Lingard**
President and Chief Executive Officer

**Terry Freeman**
Chief Financial Officer

**Wayne Shaw**
Senior Vice President, Infrastructure Services

**Gary Foreman**
Senior Vice President,
Production Services

**Tim O'Brien**
Senior Vice President,
Corporate Services

**Paul Boechler**
President,
Flint Energy Services Inc. (USA)

**Allan Cleiren**
Vice President, Finance

## CORPORATE HEAD OFFICE

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## BANKERS

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Calgary, Alberta

## AUDITORS

KPMG LLP
Edmonton, Alberta

## LEGAL COUNSEL

Bennett Jones LLP
Edmonton and Calgary, Alberta

## TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Tel: 1-888-267-6555
Email: caregistryinfo@computershare.com
Website: www.computershare.com

## STOCK EXCHANGE LISTING

Toronto Stock Exchange (TSX)
Common Shares - FES