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SECOND QUARTER EARNINGS
CONFERENCE CALL
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DATE: AUGUST 8, 2008

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OPERATOR: Good morning ladies and gentlemen, and thank you for standing by. Welcome to the Flint Energy Services Ltd. Second Quarter Earnings announcement conference call. At this time all participants are in a listen-only mode. Following the presentation, we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press star followed by zero for operator assistance at any time. I would like to remind everyone that this conference call is being recorded today, Friday, August 8th, 2008 at 11 a.m. Eastern Time.

I would now like to turn the conference over to Mr. Bill Lingard, President and Chief Executive Officer. Please go ahead sir.

BILL LINGARD (President and Chief Executive Officer, Flint Energy Services LTD.): Thank you Theodora, and good morning everyone. We're here on the eighth day of the eighth month of '08. I'm here with Paul Boechler, our Chief Financial Officer, and Guy Cocquyt, Flint's Director of Investor Relations. We're here to discuss our second quarter 2008 financial and operating results, and the outlook for the second half of the year. Also, we have Shawn Carey, the Vice President of Oilfield Transportation here with us this morning.

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I'll briefly summarize the second quarter operating environment, Paul will provide an overview of the second quarter financial results, and I will then have some closing comments about the outlook, followed by the usual question and answer period. Approximately one hour after this call, the playback will be available by telephone and over the Internet. For those details on how to listen to the replay, please check our website flintenergy.com.

During the course of this conference call, we may provide forward-looking information concerning the company's projected operating results for 2008, 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 31st, 2007, and other documents filed with the Canadian Provincial Security Authorities, and are available to the public on the sedar.com website. Unless otherwise indicated, all financial information in this call is presented

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in Canadian dollars, and in accordance with Canadian Generally Accepted Accounting Principles.

We released the second quarter 2008 financial results after the markets closed yesterday, and will comment on the quarter, assuming you've had an opportunity to look at those results.

Our second quarter revenue was up 532 million, or 110 million higher than the second quarter of 2007, and 16 million greater than Q1 2008. While conventional drilling service activity levels in Western Canada were seasonally down compared to 2007, our Facility Infrastructure, and our Plant Maintenance and Other segment revenues derived from oilsands activities, contributed to the revenue growth in the second quarter of this year.

EBITDA, up 31.1 million for the quarter, was down 4.4 million from Q2 of 2007 due to lower operating utilization, cost increases, and price erosion in our conventional drilling service segments.

EBITDA from our Plant Maintenance and Other segment was up 7 million, due to the completion of the upgrader turnaround project for Suncor, as well as the effect of being more engaged in plant maintenance activities compared to last year's start-up activities in this segment.

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Our company-wide EBITDA margins of 5.8 percent were down 2.6 percent from last year. This drop was due to poor utilization, price erosion, and cost increases in our conventional service activities, as well as lower EBITDA margins earned on the Plant Maintenance revenues, which made up the bulk of our revenue growth in Q2, 2008.

Our gross margin decreased to 13.5 percent from 17.5 percent in the second quarter of last year, due to the same reasons noted earlier; poor utilization, and increased maintenance revenues.

SG&A dropped to 7.7 percent of revenue compared to 9.1 percent in the second quarter of last year. This demonstrates we've been able to control overhead cost while still growing revenues.

Flint's net income of 11.8 million for the quarter was up 5.5 million from Q2, 2007, mainly as a result of 3.3 million tax, and 5.4 million interest recovery booked in the second quarter as a result of our settlement of a tax dispute with Quebec announced earlier this year.

Fully diluted earnings per share of \$0.25 compared to \$0.13 in the same quarter of 2007 were below internal expectations due to the weaker activity levels experienced in Canada in Q2.

April and May saw very poor activity levels due to spring break up in Canada. Then June, which is usually a recovery month, had record rainfall

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for the first half of the month. However, with the price increases announced in a number of our conventional service, and the increase in conventional activity we're seeing in the third quarter, we believe we can improve our margin and returns for the second half of the year.

I'll now go into more detail on the results for each of our operating segments.

First, our Oilfield Transportation segment. This segment is comprised of oilfield transportation operating in Western Canada, including drilling rig moving, specialized hauling of modular and oversized equipment, hauling of oilfield equipment, and service rigs. The rig moving portion is an early cycle business with swings in utilization and pricing, while the module moving is a later cycle business related to oilsands facilities and production.

Oilfield Transportation segment revenues were 17.9 million in the quarter, up 3.2 million from the second quarter of 2007, in spite of generally weaker activity levels seen in the quarter. However, the EBITDA loss of 10.7 million compared to a 9.2 million loss in the second quarter of 2007.

Rig releases, which drive our Transportation revenues, were down 14 percent compared to the second quarter of 2007, as drilling involved

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deeper targets and there were fewer actual rig moves than the second quarter of last year.

Last year we laid out a plan to reduce the overhead and fixed cost, consolidate operating locations, and reduce the breakeven revenue required in this division. In 2007, Transportation required over 11 million in revenue during the month, or about 35 percent utilization to break even at the EBITDA line. During 2008, our breakeven utilization is down to about 29 percent, with revenue of about 9 million per month. We have shaved roughly 2 million a month from our fixed costs.

Results in the quarter were impacted by increased fuel and labour cost of 2.2 million. A 10 percent price erosion impacted EBITDA a further 2 million. On the positive side, this was offset by our consolidation and integration efforts, which reduced SG&A and R&M costs by 2.8 million for the quarter.

Contracts awards for module moving have increased, however, this did not contribute materially to the revenues in the second quarter due to delays in the finalizing of those contracts, and the commencement of the associated work.

As reported last quarter, we initiated a series of price increases on July 1st. The price books in Transportation and Tubular Management have

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been increased by approximately 15 percent, and we're continuing to work on consolidation, integrations, and other cost control measure throughout the balance of the year. Rate counts in Canada for July and August reflect stronger activity levels with over 400 active rigs in July, and 450 active the first week of August. We returned to profitability in July in this division, and we remain optimistic about activity in the second half of 2008. I will go further into this in the outlook portion of my report.

Next, Tubular Management and Manufacturing. This segment has exposure to the conventional drilling activities in both Canada and the United States, and is comprised of the Canadian based Tubular Management business and the US based Natural Gas Equipment and Manufacturing business. The Canadian operations include drill pipe, and tubing inspection, repair, storage, tubing lining, and sucker rod refurbishment. We also manufacture polyethylene pipe under the brand Global Poly Systems.

The US portion of this segment is our J.W. Williams operation, which designs and manufactures specialized natural gas production equipment. This segment had revenues of 44 million compared to 48 million in Q2 last year, mainly as a result of the timing of equipment deliveries in the United States. US gas well drilling activity, however, remains strong, and J.W.

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Williams continues to have strong backlogs and good revenue visibility throughout the second half of 2008. As well, EBITDA margins have remained at acceptable levels.

Revenues from Canadian Tubular Management activities were essentially flat with Q2 last year, as we saw more of the drill pipe inspection and repair activity occurring in Q2 of 2008 compared to Q2 last year. However, competitive pricing pressures, and increased operating costs resulted in lower EBITDA margins in Canada. With the seasonal pickup in drilling activity in Canada in Q3, and our recent price increases, we do expect to see stronger revenues and better returns in the second half.

Next we move to Production Services, our largest business segment. With operations in both Canada and the US, it provides a full spectrum of mid-stream production services for conventional oil and gas producers. This business segment had quarterly revenues of 248 million, down 11.7 million, or 4.5 percent from the second quarter of 2007. We also saw a typical seasonal decrease in revenues from the first quarter of \$22 million

Canadian revenues were off 24 million due to lower levels of well drilling and completion experienced in the preceding six to nine months,

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while in Q2 2007, we still had strong backlogs from the busy drilling activity in the winter of '06/'07.

US revenues were up by 12.7 million, or 13.6 percent, due to the continued strong gas drilling south of the border. US rig activity was up 5 percent in the second quarter 2008, with over 1,860 active rigs.

EBITDA in Q2 '08 for this segment was 20.7 million, off by 6.6 million compared to 2007. Lower Canadian activity, along with pricing pressures and higher costs, especially fuel, on both sides of the border, all contributed to the lower margins in this segment. Also the mix of work, with more facility work and less field construction work, resulted in lower utilization of our equipment fleet in Canada. As tie-ins and mid-stream work increase, we should see equipment utilization rise.

In late Q2 we initiated both price increases and fuel surcharges in our contracts, which will have an effect on the second half of 2008.

Next, the Facility Infrastructure, which is our second largest segment, providing large facility project construction on our major contracts in the oilsands regions of Northeastern Alberta. Facility Infrastructure increased quarterly revenues to 120 million, up 25 million from Q2 '07, and up 19 million from Q1 '08. This revenue increase was due to expanded work on both Suncor and Shell Albian Sands expansion projects, and we

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expect to be much busier on these projects during the last half of 2007, and throughout 2009; last half of 2008 and throughout 2009.

EBITDA was up 2.3 million from Q1 '08, and EBITDA margins increased 0.7 percent to 8.6 percent in the second quarter compared to 7.9 percent in the first quarter of '08. Margins will fluctuate quarter by quarter as we're able to recover fees according to accounting rules and contract terms.

Margins were higher in Q2 2007, where timing differences from adjustments made to reimbursable cost (phon) gave EBITDA a lift last year. We expect that overall EBITDA margins in this segment should average out at the 9 to 10 percent range.

Our final segment is Plant Maintenance and Other. This segment is made up of a 50 percent ownership of Flint Transfield Services, and our northern joint ventures, including S.R.P North Ventures, Mackenzie Valley Construction, and Mackenzie Aboriginal Corporation.

FT Services provides comprehensive maintenance services including site-wide plant maintenance, management services, shutdown and turnaround services, and sustaining engineering and capital projects to oilsands producers and refining companies.

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Our northern Joint Ventures service customers throughout the Northwest Territories. They performed maintenance on the Dempster Highway, provide maintenance, construction, and transportation services for oil production in the Mackenzie River Valley. With strong Aboriginal partners, these companies are active now, and also well positioned to participate in the future development of the Arctic gas reserves. In Q2 2008, this segment generated 101 million in revenues, up 97 million from last year's Q2 revenues of 4 million.

Revenues from our Fort McMurray based contracts with Suncor and Canadian Natural Resources made up the largest portion of revenue increase with a turnaround at Suncor's upgrader, which we completed in Q2 being the biggest piece of our revenue increase.

EBITDA from this segment was 7.1 million compared to break even last year. EBITDA margins were 7 percent this quarter compared to 7.3 percent in Q1 of 2008.

I'd now like to turn things over to Paul Boechler: to comment on the detailed financial results of our second quarter, after which I'll conclude with some comments on the outlook for the rest of 2008. Paul?

PAUL BOECHLER (Chief Financial Officer, Flint Energy Services):
Thank you Bill. Revenues for the three months ended June 30th were

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531.7 million, up 109.9 million or 26 percent from 421.8 million in Q2 2007. The increase in revenue over the comparable period last year was primarily from our Plant Maintenance and Other segment which generated an additional 97.4 million in revenues over the second quarter of last year. As well, our facility infrastructure revenues of 120.4 million were up 25.3 million or 26.6 percent compared with 95.1 million in the second quarter last year. Oilfield Transportation revenues of 17.9 million were up 3.2 million over last year's 14.7 million in quarterly revenue.

The increases in these divisions were offset by decreases in our Production Services and Tubular Management and Manufacturing segments. In Production Services, an \$11.7 million decrease in revenue was made up of a \$24 million decrease in Canadian revenues, offset by a \$12 million increase in US revenues. In Tubular Management and Manufacturing, a \$4.2 million decrease in revenues were split between a \$0.4 million increase in Tubular Management in Canada, and a \$4.6 million decrease in revenues for the United States.

Our overall geographic revenue split for the quarter changed to 25 percent from the US operations compared to 30 percent in Q2 2007 as the result of the additional Canadian revenue generated through oilsands activities, and our Plant Maintenance and Other operating segment

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The Canadian portion of Production Services included additional revenues from Fluid Hauling, from the Fluid Hauling division of Transco, which was combined with Flint's Pressure, Vac and Fluid Hauling division in the fourth quarter of 2007. Other segment changes included the move of S.R.P Northern Ventures from Oilfield Transportation, and Mackenzie Valley Construction from Production Services into Plant Maintenance and Other in the fourth quarter. Adjustments have been made in the three and six month 2007 data provided in our Q2, 2008 earnings release.

Second quarter gross margins were down 2 million to 71.9 million. This was a decrease of 4 percent, to 13.5 percent gross margins from 17.5 percent in Q2 last year, and Q1 2008. The majority of the impact in gross margins in Q2 came from the Canadian operations of Tubular Management and from Production Services. Tubular Management and Manufacturing margins were reduced due to pricing pressure and higher costs during the quarter.

Production Services in Canada had gross margins of 17 percent compared to 19.8 percent in the second quarter of last year, while the United States Production Services gross margins increased to 17.3 percent from 16.9 percent last year.

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Facility Infrastructure gross margins were 13.5 percent for the quarter compared to 14.3 percent for Q2 2007. The year-over-year decrease was primarily a result of timing issues, where Q2 2007 margins gained from adjustments made to reimbursable costs on the Long Lake Project in the second quarter of 2007.

Oilfield Transportation EBITDA was a negative 10.7 million compared to a negative 9.2 million in Q2 2007. The result of pricing pressures and increased costs, mainly fuel, which were not passed onto our customers in the second quarter of the year.

General and administrative expenses in the second quarter were 40.8 million, up 2.4 million from the second quarter of 2007, and up 2.6 million from Q1 2008. As a percentage of revenue, general and administrative expenses decreased to 7.7 percent in the second quarter from 9.1 percent in the second quarter of 2007. For the first six months of 2008, SG&A expenses were 78.9 million compared to 85.3 million for the first half of last year.

EBITDA for the second quarter was 31.1 million, down 4.4 million from Q2 2007. EBITDA margins were 5.8 percent of revenue compared to 8.4 percent in Q2 2007. Lower drilling activity in Canada continued to

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impact all of the Canadian divisions, with the exception of Facility Infrastructure and Plant Maintenance and Other.

While revenues were up for the quarter, most of the increase was due to the lower margin in Plant Maintenance and Other segment, which has EBITDA margins of 7 percent

Production Services EBITDA was 20.7 million, down 6.6 million from Q2 2007, and down 6.8 million from Q1 2008. EBITDA margins for this segment were 8.3 percent in Q2 compared to 10.5 percent in Q2 2007. Canadian Production Services EBITDA decreased 7.3 million to 11.4 million, while the US Production Services EBITDA was up 0.8 million to 9.3.

Canadian EBITDA margins slipped 2.2 percent, primarily due to increased costs in the quarter, and underutilization of equipment resulting from reduced field construction demand.

Second quarter depreciation of property, plant, and equipment decreased by 0.3 million to 14.6 million compared to 14.9 million in the second quarter of 2007. Amortization of intangibles was 2.2 million for the quarter, down from 2.6 million in Q2 2007. Interest expense for the second quarter was 1.4 million compared to 7.7 million in the second quarter of 2007 to adjust, due to adjustments made to accrued interest on the result

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of the Quebec tax settlement. As a result of the tax settlement, interest expense were adjusted by a recovery of 5.4 million.

Earnings before taxes for the quarter were 11.7 million compared to 9.1 million in the comparative period.

Income taxes for the quarter were a recovery of 100,000, 2.9 million lower when compared to 2.8 million in Q2 2007, due to the tax settlement of Quebec described earlier. As a result of the tax settlement, taxes were adjusted by a recovery of 3.3 million for the period. The Q2 expected tax rate, excluding the Quebec settlement, remains at about 34 percent.

Net earnings for the quarter were 11.8 million compared to 6.3 million in the second quarter 2007. Diluted earnings per share were \$0.25 for the quarter against \$0.13 for Q2 last year. Funds provided by operation before change in non-cash working capital were 30.5 million compared to 28.3 million for Q2 last year.

Capital expenditures, net of dispositions were \$6 million for the quarter, compared to 30 million during the second quarter of 2007. This is an example of our ongoing cash management, and holding expenditures in line with lower activity levels.

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Long-term debt, including the current portion, at June 30th decreased by 20.1 million to 407 million from March 31st, but still is up from December 31st, 2007.

At June 30th, when fully diluted, Flint had a weighted average of 48.2 million Class A voting common shares outstanding compared to 47.9 million shares for the same period last year.

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

BILL LINGARD: Thanks Paul. I'll cover some of the recent activity levels and trends, and discuss what we expect to see in the second half of 2008.

Crude oil prices averaged \$124 a barrel, and the NYMEX natural gas prices averaged \$12.75 in Q2 2008. Recently both crude oil and natural gas prices have dipped, with crude oil trading below \$120 per barrel, and NYMEX trading down close to 8.75 for September deliveries.

What does this compare to? This compares with pricing of \$80 for crude oil and \$6.22 for natural gas in September of 2007. But we are seeing improvements.

Canadian rig counts have increased to just over 450 active rigs this week at 50 percent utilization, and up over 14 percent from last year at this

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time. At this level of utilization, we expect over 19,000 wells to be drilled in Canada in 2008, with a second half forecast drilling activity about 20 percent busier than last year.

US rig counts continue to hold at record levels, with over 1,930 active rigs in July, up 9 percent over last July. The forecast projecting almost 60,000 wells to be drilled in the US in 2008. This continued strength of US drilling, especially gas drilling, has led to strong backlogs of work for US based production services and J.W. Williams Manufacturing Operations. Overall activity levels are expected to remain strong for the balance of the year.

Additionally, we have opened a new field office in the Appalachians regions, and one of our US customers has recently put Flint Production Services crews and equipment to work on what promises to be a busy area for Flint.

Improvements in Canadian drilling activity are benefiting Flint's early cycle business segments, Tubular Management and Oilfield Transportation, while Production Services will experience improvements later in the drilling cycle. We expect the leverage in our early cycle business in the form of increased utilization and increased pricing in the

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second half. We put through price increases effective July 1st, and combined with improved utilizations, we expect better financial restaurants.

The oilsands will remain our key revenue growth engine in 2008. Flint has close to 1 billion in oilsands construction backlog in two mega projects; one with Albian Sands expansion, and the other being Suncor's next phases.

We saw strong revenue growth in the second quarter, and we expect to see additional revenue growth in the second half as we continue to ramp-up on the module fabrication and field construction for both projects. We'll be at peak construction activity in the Fort McMurray area late in the second half of this year, and early 2009. Manpower levels in Edmonton and Fort McMurray will continue to grow as we deliver on the construction of these large facilities, and this continues to be a key management focus.

FT Services successfully completed a major turnaround on Suncor's U1 upgrader in the second quarter, which saw significant revenue growth for the joint venture. The higher revenues in Q2 from this large turnaround will not be repeated in the second half of this year, however, additional turnarounds are planned for 2009 and 2010.

Work is also underway on the Canadian Natural Resources contract for bitumen production maintenance at Horizon. FT Services will be taking

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over the maintenance responsibilities at Suncor's Sarnia refinery in the third quarter of this year as well.

Additional growth from oilsands is expected as production ramps up on the current in situ projects.

Our Production Services segment operates a large fabrication shop, pressure, vac and fluid hauling services, and safety services operation in Fort McMurray, which are all seeing increased activities in this region.

Our Oilfield Transportation Group has secured additional work in the Fort McMurray area for rig moving on SAGD and coring rig operations. Also, the specialized module moving division has secured a three year agreement with a major oilsands producer to move equipment to Fort McMurray.

During the second half of 2008, Flint expects to see continued growth in all divisions associated with heavy oil and oilsands development, with the exception of Plant Maintenance and Other. As well, we expect to see improvements in our early cycle Canadian operations of Transportation and Tubular Management due to the improved conventional drilling and production activities in Canada.

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

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OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question and answer session. If you have a question, please press the star followed by the one on your touch-tone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you're using a speakerphone before pressing any keys.

Your first question comes from Roy Ma with Blackmont Capital. Please go ahead.

ROY MA: Hi, good morning guys.

BILL LINGARD: Morning Roy.

ROY MA: Hi. Now just, I know you gave a little bit of colour on the weakness in the transport, I guess I'm still a little bit surprised at the magnitude of the EBITDA loss, or negative EBITDA, given the amount of cost savings that you have outlined. So I'm, I guess, trying to get a handle on the quarter. Your revenue was actually more or less flat year-over-year, well actually a little bit up, and you know, I'm trying to get an understanding of how much of it is because of pricing decrease, and how much – and you must have some volume increase if you had the revenue increase. How should I look at the quarter?

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BILL LINGARD: Yes, we actually did more work through the quarter because we gained a little bit of market share. So our volume was up, our prices had deteriorated year-over-year in that 10 percent range, so you, we saw about a \$2 million impact on EBITDA from pricing. We were pricing in this second quarter off our old 2006 price book somewhere in the magnitude of 20 percent, and last year it would've been somewhere in the magnitude of 10 percent, so we definitely saw the deterioration in pricing.

So while the fixed cost, primarily the R&M cost, the SG&A cost, because we scaled back and had less facilities in 2008, we ran with about four less facilities than we did in 2007, so we saw some reduction in fixed cost. Variable cost, however, being fuel and field labour; that's the driver's wages and the operator's wages, actually went up slightly as well, and they had more hours because we did more work. So we saw the increase over \$2 million in just those two items in the quarter. So the variable costs did go up.

Now overall, when we look at our fixed costs, we're down about 2 million year-over-year, but variable cost is up. So on a go-forward basis, with the, with the new price books and less discounting off the new price books, we're confident we'll have enough to recapture our cost increase, plus put some more on the bottom line as well.

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ROY MA: And with the pricing increase, are you back to, I guess, the sort of the pre-discounting levels? Is that the way, right way to interpret it?

BILL LINGARD: Well we actually, we had a price book.

ROY MA: Right.

BILL LINGARD: And we hadn't changed our price book since about 2006, so we've gone with prices in that price book, a magnitude of about 15 percent. And considering we're, we were discounting 20 percent, you know, we should be, at this point in time, about back even with it.

ROY MA: Okay. So if I look at, if I interpret the quarter correctly for transport, then had you not had the cost cutting measures, this would've been a somewhere to the magnitude of over \$15 million in negative EBITDA, is that...?

BILL LINGARD: That's correct.

ROY MA: Correct to assume?

BILL LINGARD: It would've been worse.

ROY MA: Okay.

BILL LINGARD: And the main reason, price erosion and variable cost increase. Those two things would've been making it worse.

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ROY MA: Okay. Now just switching to Production Services in Canada. Now you mentioned more than once that it's a late cycle, the, you know, especially with respect to the, the pipeline ball (phon) tie-in type of services. So you, I'm trying to kind of get a grasp on Q3 and Q4 with the low amount of drilling. Are we then to expect that from, for off of Q2 that the improvement wouldn't be that much? Is that the right way to interpret the, where the trend will be for the next two quarters on, in Production Services in Canada, I guess?

BILL LINGARD: Yes, in the US we expect to see probably, you know, we saw in this, in the second quarter, and they continue to be busy and have lots of backlog. We'll expect to see growth in Production Services year-over-year continued. In Canada it's probably going to be flat to down slightly with, I mean, you know, the margins never erode too much, but some erosion on margins as well in the back half compared to last year, but maybe flat to down slightly.

ROY MA: Okay. And just on the, I guess the Plant Maintenance, I understand that Q2 is sort of a, a very high season because of the Suncor maintenance and turnaround. What, I guess I'm trying to grasp at what Q3 and Q4, in terms of order of magnitude relative to Q2 may look like?

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BILL LINGARD: They would look more like Q1, but there's some additional pieces coming on with Sarnia starting late in the quarter and stuff, but a more regular run-rate for the routine stuff we're doing would be in that 30 to \$40 million a quarter.

ROY MA: Okay. Okay, thanks very much guys.

OPERATOR: Your next question comes from Dana Benner with Thomas Weisel Partners. Please go ahead.

DANA BENNER: Good morning guys.

PAUL BOECHLER: Good morning Dana

BILL LINGARD: Morning Dana.

DANABENNER: I just wanted to start with the issue of price increases, and I wonder, you know, it's the rare all-service company right now that's actually talking about price increases, most are talking about prices stabilizing and hoping for some prices to move up, you know, later this year, perhaps heading into winter. I'm curious to know the reception, any pushback, you know, with gas sliding, how sticky do you think this can be as we head to the back half of the year in your, in the areas where you've, you know, pushed it through?

BILL LINGARD: On the Production Services side price increases, we had in, with our long-term reliance clients we had provisions in our

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contracts to be able to do a fuel surcharge, and so those will definitely stick. On the Transportation and Tubular side, we probably went at the right time in terms of, at the time we're going commodity prices were very high, and we've seen very little pushback. We do get some negative feedback from a client now and then, but generally it's been very well accepted. And I think, I mean if we're showing losses in this division, all our clients are making very good money, and I think they realize that we're not going to continue to operate at losses, and there's been further consolidation in that, in this part of the market, particularly the rig moving, with some larger competitors buying up some of the smaller ones. So I think overall, in general we're going to see better pricing discipline in the market because, you know, none of the companies want to be in the position we're in now where we're just not doing well and we're wearing out equipment without making any money with it. So I think you're going to see it stick, Dana.

DANA BENNER: Are you able to, in the US market where things have clearly been stronger for longer, prospects for pricing and margin increases there?

PAUL BOECHLER: Well I think Dana, it's Paul, on a year-over-year basis, I think there is some room for the US margins to improve. One of

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them is we've made some changes in a couple of the areas where they needed to strengthen management to be able to refocus on, not just revenue growth, but on making sure we protect our margins and get paid appropriately for what we do. And the second part is, if their margins were impacted in the first, first half of the year by the pipeline job in which we did about \$10 million worth of revenue with effectively no earnings on it. And we've made some changes to the bidding processes in what we're doing in the US to prevent that from happening again, and I think that those things will allow us to improve our margins in the second half of the year.

DANA BENNER: Okay. And I guess just sticking with the issue of margins, I guess with a little bit more time, you know, time under the belt or whatever, in FT Services, 7 percent is that, do you think that's a decent number or do you think you can maybe notch that higher as you get a little bit larger and a little more experienced?

BILL LINGARD: If the number goes higher, it's not going to be by more than 1 percent or something like that. The contracts are cost plus, and there is a portion of the profit that you can make additional profit if you hit your key performance indicators; hit the safety, the budget, the schedule on the various pieces of maintenance. So, but, you know, I don't

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ever see it having a big lift. It's obviously a small amount of capital to get into the business, and it's never going to be a high EBITDA type business.

DANA BENNER: And I guess while we're on Plant Maintenance, what are the prospects for substantial contracts beyond what you've already managed to gain? You know, are, you've added the C&Q (phon) and that's great. Is it a case where you want to make sure you're executing properly on these still before you truly go after another, you know, Goliath as it were, or what's your thinking?

BILL LINGARD: You know, we've got, we've got proposals in to some companies, I think in the Sarnia area. We will be aggressively trying to pick up additional refineries in that area, and the market is looking for, you know, additional maintenance capacity there. As the various plants come on stream with the expansions going on in Fort McMurray, the opportunities are tremendous. And I think you're right, we need to, we need to, you know, get all our systems and processes and everything running very clean before we double our business in Fort McMurray, but I believe the timing of those opportunities is going to be perfect for us. So I think as you see additional production come on and additional plants start up, our revenues will grow and our opportunities will be, be there.

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You know, we're talking to all of the key players up there. With, even with like with the CNRL out of Horizon we've put together a Strategic Development Board with them where we're reviewing how they're doing their maintenance and stuff, so there's opportunities to grow that particular contract as well.

DANA BENNER: And just two quick questions. Firstly, in which area are you having the greatest problems either finding people or where is it the biggest issue for you? And then secondly for Paul, maybe just address working capital. You know, obviously you've come out of a period where you've got substantial billings, but you know, don't often see working capital greater than the long-term debt of a company, which is favourable, but how do you work that down?

BILL LINGARD: Well the biggest challenge on people first is definitely still Fort McMurray. We have 23 full time recruiters now. We're losing some temporary foreign workers. We have upped (phon) that. We, we now have permission to bring in up to about 1,500 temporary foreign workers. But over the next few months we're going to be hiring 2 to 3,000 people. I mean it's a big ramp-up. That is our biggest challenge.

In our traditional Production Services operations, you know, we're bringing (phon) on people and we've got a great reputation, so we attract

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quality people, but to get people for Fort McMurray, and even our Edmonton fab shops, if there's any ironworkers listening to the call, please call in to our recruitment line. We can use ironworkers in our fab shops. It's a challenge. We're meeting the challenge, and we're coming up with creative ways to meet the challenge, but it's definitely the biggest challenge we got.

Paul, on the working capital?

PAUL BOECHLER: Well I guess on the working capital there's two parts to that. One of them is, I would say that we still continue to be very favourable for our customers, and have allowed them to, you know, slow down our collection process, and been very gentle with that process.

I think there's two stages to it, Dana, for us as a company. The first of them is in the completion of the work, and that's the process of getting it billed to the customers, and that's something we have a lot of control over. The second part is that, you know, the next phase is once you've got your customer billed, there's really not much you can do in the next 45 days. But once something's more than 45 or 60 days old, there's a lot you can do.

So there's two parts to the billing and collection cycle that we have control over, and we've made a lot of changes internally to do a better job

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of that going forward. And the biggest improvement we've seen in the last six months is in the aging of our accounts receivable, because we focused on, you know, long-term customers and solving problems, answering questions and getting things collected more quickly.

The second phase, which we're underway on, is changing the way we behave to ensure that we bill customers more quickly, and look at our contracts going forward, allowing for shorter billing cycles from the completion of work. And we still strongly believe that if we do those things properly and execute them, that over the next six months we'll see a significant increase in, on collections and reduction in the amount of funds we have tied up in working capital, therefore reducing interest costs, and being able to put more of our working capital funds on the reduction of debt.

DANA BENNER: That's great guys. Thanks.

OPERATOR: Your next question comes from Jeff Fetterly from CIBC World Markets. Please go ahead.

JEFF FETTERLY: Morning guys.

BILL LINGARD: Morning Jeff.

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JEFF FETTERLY: On the transport side, I guess first off, where would you estimate utilization was in Q2, and where would it have been in Q2 2007?

PAUL BOECHLER: In our utilization, you know, we tracked it kind of on where, how much of our equipment is being used, and in Q2 of this year — In Q2 of this year, we weren't much more than about 15 to 17 percent utilization.

JEFF FETTERLY: Okay.

PAUL BOECHLER: And Q2 last year wasn't terribly different. You know, they're just slightly different mixes. Now the last 1 or 2 percent really is affected by the mix of the equipment and the type of things we're doing, so it was pretty similar last year in the 15 percent range.

JEFF FETTERLY: So how much different was volume in the quarter, and where do you estimate your market share is now versus the 29 percent you talked about in the Q1 conference call?

BILL LINGARD: Market share is between 25 and 27. We look at all the rate releases and well spuds, so we watch every, every rig being moved everywhere, and we've been fluctuating between 25 and 27, and we were at about 27 in the first quarter.

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JEFF FETTERLY: Okay. Surrounding the profitability of the segment, can you quantify, you talked about pricing having a \$2 million impact on profitability, offset by lower SG&A and R&M at 2 point something million dollars. Can you quantify the impact of fuel? Can you quantify the impact of labour? I'm a little puzzled that you saved 12 to, well over \$15 million a year of costs out of that business, yet you lose more money year-over-year.

BILL LINGARD: The impact of fuel and labour combined, do you remember the exact number Paul? Hang on, I'll just look it up here. It's over \$2 million.

OPERATOR: Mr. Fetterly, do you have any further questions?

BILL LINGARD: Just, just a minute, I'm going to answer his question.

OPERATOR: Oh, thank you.

BILL LINGARD: Okay, it's \$2.2 million. When you combine the fuel, fuel, fuel costs are up like 37 percent in the quarter over last year, labour costs were up about 17 percent. So there's your magnitude. And the combined was 2.2 million for the quarter.

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JEFF FETTERLY: Okay. You, you addressed it earlier, but how much of that is going to be encompassed or offset by your price book increase effective July 1?

BILL LINGARD: Our fuel cost is about 5, 4, 4 to 5 percent of our overall cost. Oh, I'm sorry, it's – the increase in fuel costs have increased our cost about 4 percent. It's about, it's about 16 or 17 percent of our overall costs, so it's increased enough that it's increased our overall cost, and our labour cost would be up a similar amount. So our costs are up about 10 percent year-over-year, and the price increase is about 15 percent, so 10 percent of it should cover cost and about 5 percent should go to bottom line.

JEFF FETTERLY: Okay. Where did June come in relative to your expectations?

BILL LINGARD: June was horrible compared to our expectations. We knew April and May would be ugly because we had, the rig count hovered around 100 rigs. We knew we were going to be in the loss territory. And we did actually forecast for, our internal forecast was for a \$2 million loss for the quarter, and we have losses similar to what we expected in April and May, but June, because we just about didn't move anything for the first half of the month, we had losses in June as well. And

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June typically is when we at least gain back a little bit and expect to make back a couple of million dollars on the EBIT side, but instead it was the other way, so, you know, a big chunk of it happened in June.

JEFF FETTERLY: Okay. The specialty haul side, couple months ago you talked about a 100 module contract that was ongoing. If, was that something that was deferred in, as part of your earlier comments, and is that encompassed in the three year module contract that you signed?

BILL LINGARD: No, it was a separate one, but the, we've got three actually, contracts in place with three different companies; one is a large one. But the smaller ones, the, when we were having our call last time we were actually busy moving some modules and we thought that would run through the second quarter, but it didn't. I think some because of weather, but mostly just because of when the modules are ready. We had a bunch to move then, and then we got really quiet through the quarter, and we picked up again right at the end of the last part of, last half of June got busy again. But we had a real lull in the middle of the quarter, which, based on how much we had booked coming into the quarter, we thought we'd stay busier through the quarter and it didn't materialize.

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Now do we have lots to do on a go-forward basis? Yes, we've more than doubled our capacity in that group, and we've got high hopes that that group's going to make us some really good margins.

JEFF FETTERLY: Do you expect that capacity to be fully utilized in the back half of the year?

BILL LINGARD: No, it will not be fully utilized. Probably, yes, early '09 before you see full utilization. Probably see something in the magnitude of 50 percent utilization through the back half of the year.

JEFF FETTERLY: Okay. And is the, is the pickup in the utilization on that business a function of gaining more contracts or timing of the existing contracts?

BILL LINGARD: Both. We can, we have opportunity to gain more contracts. We're submitting proposals and bids often now. Like there's lot of opportunities out there, so it's both waiting for the timing. The one large contract ties up a pretty good portion of our fleet, but we do have, you know, a lot of capacity still to book up. So we need to bring in some additional contracts for that group as well. And there are lots of opportunities out there, and only a couple of competitors, so.

JEFF FETTERLY: Okay.

BILL LINGARD: And a limited capacity in the market too.

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JEFF FETTERLY: Yes. Okay, just a couple last questions. Guidance in terms of the Facility Infrastructure segment. Do you still expect to be in that 500 range for the year?

BILL LINGARD: Yes.

PAUL BOECHLER: Yes.

JEFF FETTERLY: Okay. And on the maintenance side, again, a couple months ago you talked about having two outstanding tenders or proposals. Have you had any word on that side or submitted any further proposals?

BILL LINGARD: One, we have another clarification meeting in the third week of August coming, so we're on a short list, and the other, they stayed with their current maintenance provider, so we know we're not going to do the other one.

JEFF FETTERLY: Okay. Any, any more, or any progress when it comes to sort of non-oilsands maintenance work or leads?

BILL LINGARD: Certainly we've made some more contacts, and we've got some leads, but there's nothing imminent or close.

JEFF FETTERLY: Okay. And Paul, I just wanted to clarify a couple data points you gave. In Tubular you said Canadian revenue was up 0.4

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million year-over-year, and US revenue was down 4.6 million year-over-year?

PAUL BOECHLER: Yes.

JEFF FETTERLY: And on the Production Services side Canadian revenue was down 24 million and US revenue was up 12.7 million?

PAUL BOECHLER: That's correct.

JEFF FETTERLY: Okay. Thanks for the colour guys.

PAUL BOECHLER: No problem.

OPERATOR: Your next question comes from Roger Serin with TD Securities. Please go ahead.

ROGER SERIN: Morning guys. I may have missed this, so my apologies. I wanted to get back to the module moving. I'm just trying to get a sense in the quarter what it was in terms of revenue in Transportation, and you know, the increments you might be getting with the new three year contracts, and when that (inaudible).

PAUL BOECHLER: I think, Roger, you know, we tend not to break it down quite that closely, but where we are with our specialized cable (phon) hauling is we were probably at half of what we would be expecting to be, what we think we can do on an annual basis, so we were probably about 50 percent for the quarter what we thought we would be doing, or could be

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doing in that group. And that's the group, as you know we've talked about that last year we did, what was it, 17 or 18 million on it. We think we have a capacity to do, you know, double that or more, and we were in, you know, 8, \$9.5 million range for the first six months of the year with that group. So we're still not anywhere near what we think we can be, which, as we increase the revenue, covers the fixed costs and we see very substantial margins in that group.

ROGER SERIN: Okay. Moving around a little. Am I to guess that the wet weather in that one contract in the States probably impacted margins by about a million bucks?

PAUL BOECHLER: Actually a bit more than that. Probably (inaudible)

ROGER SERIN: Sorry, Paul?

PAUL BOECHLER: Actually a bit more than that, Roger, because the total in that project was about \$10 million and we ended up with effectively no margin on it. So it'd be a couple of million dollars to the gross margin line.

ROGER SERIN: And you've given us some ideas on cost savings, but can you give us a sense of where you think that could go going forward on the Transportation front?

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BILL LINGARD: The cost savings on Transportation front?

ROGER SERIN: Yes, in terms of site consolidation, those sort of things.

BILL LINGARD: We have four more locations where we're looking at consolidations between Production Services and Transportation. They're four fairly large centres that we operate both business units out of. And we also, as soon as winter activity was over, our operation up in Zamina (phon), we actually mothballed it; we've got our facilities kind of mothballed, so we have cut some cost out there. So there's, we should see the effect of five different consolidations. We still have to figure out how to do those consolidations. If they were easy we would've done them by now, so, but we are going to press hard and get them done, but those consolidations to date, we'll still be working on them over the next few months.

ROGER SERIN: Okay, so it's probably too early to say again that for the second half of the year, you're (inaudible) easy stuff, there's probably not a lot of cost savings other than what you talked about with Zamina, in the Transportation side, some sort of facility consolidation?

BILL LINGARD: That's correct. I mean the, there are some potential savings in there, but the ones that had the most potential for

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savings, where we could easily sell off the property or get out of the lease, those have been done.

ROGER SERIN: Okay, and one last...

BILL LINGARD: But those with the biggest savings have already been done. There won't be a lot of incremental savings on the other ones. The cost (inaudible) for sure.

ROGER SERIN: Okay. Paul, on the tax rates, am it, did I hear you correctly, 34 percent was a pretty decent run-rate?

PAUL BOECHLER: 33 to 34 percent would be our expected tax rate. And as you clearly see, in the last two and a half years from the, it started with Quebec, our tax rates have bounced all over the place with additional accrued interests and, and the adjustments with respect to it, so we're hoping we can start seeing some more expected tax rates going forward here.

ROGER SERIN: Okay, and maybe an off the wall question. What do you think your book value or replacement value of Transportation is as it stands today, not just what you got from the acquisition with Transfield?

PAUL BOECHLER: Well I think we, we try to anticipate some of the questions, and have some of the answers ready, and that's not quite one of the ones I anticipated, so, boy I don't know how to answer that one

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Roger. Roger, I'm going to, I'm afraid I'm going to give a pass on that. I don't think I can guess what's going to be within 25 percent of a reasonable expectation of replacement value of the equipment.

ROGER SERIN: Okay.

PAUL BOECHLER: But I can get back to you on that, but I got to have a look at that because I don't even, I'm just not ready to answer that one.

ROGER SERIN: Yes, take some time. You know how to get a hold of me.

PAUL BOECHLER: Okay.

ROGER SERIN: That's it for me. Thanks very much.

OPERATOR: Next question comes from Todd Garman with Peters & Co. Please go ahead.

TODD GARMAN: Good morning. In J.W. Williams in the US there's a reference to some changing trends in, you know, a way to more of a product specific versus a uniform product that you're producing. Can you give some colour on what's changing in that business, and how it's going to...?

PAUL BOECHLER: Yes, actually the biggest change is what we're seeing is that due to the environmental footprint, we're seeing customers

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go to more larger equipment, you know, like multi-well units, bigger equipment for the Rocky Mountains, especially in the Piance (phon) and some of those basins. So what the biggest thing we're seeing is that equipment that, you know, we could build, you know, and deliver maybe one or two units a week to a customer for, they're asking for equipment that we can only deliver, you know, one or two or three a month. So it's much bigger equipment, and so what basically what we're seeing is this is equipment that we may take a month and a half to build it in the assembly line process, or two months, and so the timing of deliveries and when we recognize the revenue is the biggest thing that's impacting us. And because of the slight switch, we just got a little bit more, you know, retooling and reengineering to make sure that we're doing, building exactly, and meeting the specifications for the gas fields.

BILL LINGARD: So last year we had some customers that ordered 300 or 200 and something units of light (phon) and you're pumping out like one every day, and you have an assembly line of seven or eight going. We don't have those exact kind of orders this year, and that also kept our cost down, our unit cost and made our margins a little bit better. We were making really high margins on those multiple units.

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PAUL BOECHLER: And so this year we're seeing orders in more, you know, more in the magnitude of, you know, 40 or 50 size orders of bigger pieces of equipment and it just causes a little more lumpiness in the revenue recognition because of deliveries.

TODD GARMAN: So can we expect the '07 run rate for J.W. Williams in '08 and then through '09?

PAUL BOECHLER: Yes we can.

BILL LINGARD: Yes (phon).

TODD GARMAN: And then what sort of impact will the lumpiness have on margins?

PAUL BOECHLER: I would say that J.W. Williams margins year-over-year are down a couple of points, like maybe two.

TODD GARMAN: On a gross or EBITDA basis?

PAUL BOECHLER: Gross basis.

TODD GARMAN: Okay, and then not to belabour the point, but regarding the potential consolidations here in the Transportation division, what is difficult, or why are they difficult to consolidate?

BILL LINGARD: If you've got a facility that is full with Production Services people and equipment and one that's full with Transportation people and equipment, and a yard that can't accommodate both, then

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there's not a lot of synergies. But potentially we could get out of both those leases and get into a facility that's just a little bit bigger and maybe costs, you know, 75 percent of what the two cost, and share a facility that way, and that way they're sharing reception, some accounting people, safety people, some of the overhead in some of those bigger centres. So, but right now we just got to source a building that would suit us, and then get out of two facilities and get into one. And in some cases, you know, we're in three or four facilities in some of those places because they were too small. But over time here, I think we'll find some good synergies and be able to get the guys (phon) together.

TODD GARMAN: Okay, thanks.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the star followed by the one. As a reminder, if you're using a speakerphone, please lift your handset before pressing any keys.

Mr. Lingard, there are no further questions at this time. Please continue.

BILL LINGARD: Thank you Theodora, and thanks everyone for participating in our presentation today. We look forward to talking to you

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soon with our results for the third and fourth quarters of the year. Thanks everyone.

OPERATOR: Ladies and gentlemen this concludes the conference call for today. Thank you for participating. You may now disconnect your lines.

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