

EVENT: FLINT ENERGY SERVICES LIMITED
THIRD QUARTER 2008 EARNINGS CONFERENCE
CALL
TIME: 11H00 E.T.
REFERENCE: CNW GROUP
LENGTH: APPROXIMATELY 64 MINUTES
DATE: NOVEMBER 7, 2008

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OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the Flint Energy Services Limited Q3 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 you have any difficulties hearing the conference, please press star, followed by zero for Operator assistance at any time. I would like to remind everyone this conference call is being recorded on Friday, November 7th, 2008, at 11:00 a.m. Eastern Time.

I will now turn the conference over to Mr. Bill Lingard, President and CEO of Flint Energy Services Limited. Please go ahead, sir.

BILL LINGARD (President and CEO, Flint Energy Services Limited): Thank you, Matt, and good morning, everyone. I'm here with Paul Boechler, our Chief Financial Officer, and Guy Cocquyt, Director of Investor Relations. We're here to discuss the Flint Energy Services third quarter 2008 financial and operating results and the outlook for the fourth quarter and 2009. I'll briefly summarize the third quarter operating environment. Paul will provide an overview of the third quarter financial results, and I'll then have some closing outlook comments, followed by the usual question and answer period. Approximately one hour after this call,

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a playback will be available by telephone and over the Internet. For details on how to listen to the replay, please check our website, flintenergy.com.

During the course of 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 another documents filed with 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 in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

We released our third quarter 2008 financial results after the market closed yesterday, and we will comment on the quarter, assuming you've had an opportunity to look at those results. Our third quarter revenues were 586 million, 161 million higher than the third quarter 2007 due to

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gains by all of our business units. This was the highest quarterly revenue achieved by Flint to date. Revenues from our facility infrastructure and our plant maintenance and other segments contributed 132 million of the revenue increase for this quarter over last year. For the nine months year-to-date, Flint's revenues were 1.6 billion, up from 1.3 billion for the same period last year, again, with most of the growth from oil sands construction and maintenance work.

During the quarter, we performed a goodwill valuation on our balance sheet. As a result, we've taken a \$190 million hit impairment charge related to the acquisition of the Transco Energy Services business in 2006. The charge affects both the oil fuel transportation and tubular management business segments from the Transco acquisition. Both businesses are tied to drilling activity in Canada and since 2006, Canadian drilling has fallen by 25 percent. Indeed, the global credit crisis, impending recession and decline in commodity prices suggest drilling activity will continue to be negatively impacted in 2009. We are not happy about this, but the market has changed, and we go forward and build from here.

Excluding the goodwill impairment charge, the operational results in Q3 met market expectations by producing earnings of \$0.35 per share and \$0.98 cents per share for the nine-month period. Our Q3 EBITDA was

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54.4 million, up significantly from last year's 45.6 million, as a result of higher quarterly revenues. But as a percentage of revenues, EBITDA was down from last year due to the growth in plant maintenance at lower margins, as well as margin compression in the tubular management and production service business segments. Both Paul and I will discuss this in more detail during the call. I will now review the results of each of our operating statements.

First, production services. This is our largest business segment which operates in both Canada and the US, provides a full spectrum of midstream production services for the conventional oil and gas producers. Production services had quarterly revenues of 253 million, up 14.8 million from the third quarter 2007, with all of the gain coming from the US operation which was up 28 percent over the last year due to continued strong gas drilling in the United States. Canadian production services revenues for the quarter were off only 6 percent, despite the lower activities of drilling and well completions experienced during the first six months of the year. We saw this offset by stronger production activity, notably heavy oil production services in northeastern Alberta. Production services EBITDA in Q3 was 25.7 million, down 10 percent compared to 2007. Production services experienced compression in EBITDA margins

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of approximately 2 percent compared to last year, as a result of lower drilling activities and shallow gas in certain geographic locations in Canada, higher fuel and labour cost and continued pressure on pricing and the mix of work with less utilization of our equipment fleet in Canada.

Next, facility infrastructure, which is our second largest segment. It provides project construction on our major contracts in the oil sands regions of northeastern Alberta. Facility infrastructure grew quarterly revenues to 167 million, up 65 million from Q3 2007 and up 47 million from Q2 2008. This increase in revenue is due to the expanded work on both the Suncor Firebag Phase III and IV and Shell Albian Sands expansion projects. Recently, both of our customers have publicly confirmed that these projects are going ahead in spite of the volatility in commodity prices, and we expect to be much busier on these projects throughout the balance of 2008 and the full year of 2009. EBITDA in Q3 was up 6 million from last year, and EBITDA margins increased 1 percent to 9.7 percent compared to the second quarter of '08. We expect that overall EBITDA margins in this segment should average out between 9 and 10 percent.

Our next largest segment is plant maintenance and other. This segment is made up of our 50 percent ownership of FT Services and our northern joint ventures, including SRT North Ventures, Mackenzie Valley

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Construction and Mackenzie Aboriginal Corp. FT Services provides comprehensive maintenance services, including site-wide plant maintenance, management services, shutdown and turnaround services, sustaining engineering and capital projects to oil sands producers and refining companies.

Our Northern joint ventures serve customers throughout the Northwest Territories and perform maintenance on the Dempster Highway and provides maintenance, construction and transportation services for oil production in the Mackenzie Valley. With strong aboriginal partnerships, these companies are active and well-positioned to participate in the development of Canada's northern and arctic gas reserves. In Q3 2008, this segment generated almost 76 million in revenues, up 67 million from last year's Q3, but down from the 101 million recorded in Q2 2008 as a result of the large turnaround booked in that quarter.

Revenues from FT Services Fort McMurray based contracts with Suncor Energy and Canadian Natural Resources made up the largest portion of revenue increase in this segment. In addition, FT Services commenced maintenance work at Suncor's Sarnia refinery in August. EBITDA for this segment was 4 million for the quarter compared to 600,000 for the same quarter last year.

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The next largest segment is our tubular management and manufacturing segment, which has exposure to conventional drilling activities in both Canada and the US and is comprised of the Canadian tubular management business and the US-based natural gas equipment manufacturing business. Canadian operations include drill pipe and tubing inspection, repairs, 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 JW Williams operation. This segment had revenues of almost 50 million compared to 45 million in Q3 last year, with all of the increase coming from Canadian operations, which benefited from strong heavy oil production activity which increased the demand for both production tubing and sucker rod refurbishment services. JW Williams operations in the US saw a 10 percent reduction in revenues in the quarter, mainly as a result of a delay of equipment sales in the United States.

Two hurricanes in the Gulf Coast region this summer, Ike and Gustav, disrupted supply deliveries to our facilities, impacting sales during the quarter. We have seen a shift in demand to larger capacity units which, while providing more revenue per unit, takes longer to build which makes both revenue and margin recognition more variable. EBITDA was

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down 2.7 million with most of the drop from the US operations due to the factors noted earlier. Canadian EBITDA increased on higher revenues and margins improved with the price increases which we implemented earlier in the quarter.

Our oilfield transportation segment is comprised of western operations in Canada, including drilling rig moving, specialized hauling of module and oversized equipment and hauling of oilfield equipment and service rigs. The rig moving portion is an early cycle of business which can experience wide swings in utilization and price, while the module moving is a later cycle business related to natural gas facilities, oil sands, modules and production. The oilfield transportation segment revenues were 40 million in the quarter, up 35 percent from the third quarter of 2007, in spite of the fairly flat Canadian oil and gas well drilling activities levels during the quarter. In Q3, only 5,350 wells were rig released compared to 5,500 for Q3 of last year.

The increase in oilfield transportation revenues were due to both price increases implemented in early Q3 and to increased activity in our specialized hauling business unit compared to Q3 of last year. As a result, oilfield transportation's Q3 EBITDA improved to 2.7 million compared to a loss of 1.6 million last year. While revenues came in as projected resulting

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in better EBITDA for the quarter, the price increases announced in early July did not take full effect until late in the quarter due to contractual arrangements with several large clients and having to give notices on those arrangements. As a result, we expect to see better margins in Q4 and Q1 of '09. During the quarter, we continued to reduce the fix cost by closing and consolidating two more facilities and had additional layoffs of five redundant management employees; total additional overhead savings is around \$2 million per year.

Oil sands module moving works increased in Q3 but will be negatively impacted due to the recently announced delays for certain oil sands projects. This specialized portion currently produces revenues of 20 to 25 million per year and the growth has been slower than we previously expected. I'd now like to turn things over to Paul Boechler to comment on the detailed financial results of our third quarter, after which I'll conclude with some comments on the outlook for the rest of 2008.

PAUL BOECHLER (Chief Financial Officer, Flint Energy Services Limited): Thank you, Bill. Revenue for the three months ended September 30th, were 585.8 million, up a 161.5 million or 38 percent from 424.3 million in Q3 2007. The increase in revenue over the comparable period last year was from our facilities infrastructure segment, with

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revenues of 167.1 million, up 64.9 million or 63 percent compared with 102.2 million in the third quarter of last year. Our plant maintenance and other segment also contributed to revenue growth with 75.9 million in revenues, representing an additional 66.7 million in revenue for the quarter. As well, oilfield transportation revenue was 40.5 million, or up 10.6 million over last year's quarterly revenue.

Production services and tubular management and manufacturing segments revenues were also up in Q3 '08 with production services revenues reaching 252.6 million, up 14.8 million, and tubular management and manufacturing revenues up 4.4 million to 49.6 million in the quarter. In production services, a \$14.8 million increase in revenue was made up of an \$8.8 million decrease in Canadian revenues, offset by \$23.6 million increase in US revenues. In tubular management and manufacturing, the \$4.4 million increase was split between the \$7.3 million increase in revenues in Canada and a \$2.9 million decrease in revenues for US operations. Tubular management grew in revenue as a result of higher demand for both refurbishing and sales of production tubing and sucker rods during the quarter. US manufacturing activity was hit by timing of deliveries due to hurricane weather which interrupted the equipment sales customers during the quarter.

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Our overall geographic revenue split for the quarter changed to 22.7 percent from US operations compared to 26.6 percent in Q3 2007, as a result of the additional Canadian revenues generated through oil sands activity. In 2008, we changed our segmented reporting. The Canadian portion of production services includes additional revenue from the fluid hauling division of Transco, which was combined with Flint's pressure and vacuum and fluid hauling division in the fourth quarter of 2007. Other segment changes include the moves of SRP Northern Ventures from oilfield transportation and Mackenzie Valley Construction from production services into plant maintenance and other. Adjustments have been made in both three and nine-month 2007 comparative data provided in our Q3 '08 earnings release.

Third quarter gross margins were up 12.1 million to 96.4 million, an increase in gross profit of 14.4 percent due to higher overall revenues. As a percentage of sales, gross revenue – gross profit margins in the third quarter were 16.5 percent, down from 19.9 percent in Q3 last year, but up from 13.5 percent in Q2 2008. The majority of the impact on gross margins in Q3 came from the increase in plant maintenance and other revenues, where gross margins are lower. And, additionally, the decline in Canadian operations of production services also impacted margins.

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Canadian production services had a gross margin of 16.8 percent compared to 22.2 percent in the third quarter of last year, while the United States production services gross margins were 23.4 percent compared to 22.9 percent last year. Facilities infrastructures gross margins were 14 percent for the quarter compared to 14.9 percent for Q3 2007. However, the contract mix impacted gross margins slightly, administrative cost controls with increased revenues resulted in improved EBITDA margins for the quarter.

Selling and administrative expenses in the third quarter were 42 million, up 3.3 million from the third quarter of 2007 and up 1.2 million from Q2 2008. As a percentage of revenue, SG&A expenses decreased to 7.2 percent in the third quarter from 9.1 percent in the third quarter of 2007. For the first nine months of 2008, SG&A expenses were 120.9 million compared to 124 million for the first nine months of 2007. EBITDA for the third quarter was 54.4 million, up 8.8 million or 19.3 percent from Q3 2007. EBITDA margins were down 1.5 percent to 9.3 percent of revenue compared to 10.7 percent in Q3 2007. This was due to lower margins on plant maintenance work, one of the major contributors to the increase in revenue and decreases in margins in tubular management and manufacturing and the production services segment.

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Oilfield transportation EBITDA was 2.7 million compared to a loss of 1.6 million in Q3 2007. This was a result of price increases implemented early in the quarter three and increased specialized heavy hauling work. EBITDA was still below our expectations as price increases did not fully take hold until late in the quarter due to contractual arrangements with existing large customers. Production services EBITDA was 25.7 million, down 2.9 million from Q3 2007 and up 5 million from Q2 2008. EBITDA margins for this segment were 10.2 percent in Q3 compared to 12 percent in Q3 2007. Both Canadian and US EBITDA margins slipped 3.7 and 4 percent – 0.4 percent, respectively, due to increased cost in the quarter and underutilize of equipment resulting from reduced fuel construction demand in Canada.

Third quarter depreciation of property, plant and equipment increased by .5 million to 16.3 million compared to 15.8 million in the third quarter of 2007, while amortization of intangibles was 2.2 million, down from 2.3 million in Q3 2007. Interest expense for the third quarter was 7.9 million compared to 6.5 million in the third quarter 2007. Increased interest expense was the result of a \$2.4 million unrealized foreign exchange charge during the quarter. A portion of Flint's long-term credit facilities in Canada are denoted in US dollars. A part of this change – charge may be

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recovered in the fourth quarter as we eliminated our exposure to the Canadian dollar fluctuation.

Flint, like all public companies, is required to perform an annual goodwill impairment test. Operating results and equity market conditions were significant triggering events, resulting in a detailed evaluation of goodwill during the quarter for our oilfield transportation and the Canadian portion of tubular management and manufacturing. As a result, the Company recorded an impairment charge of 190.4 million, which included a 155.9 million of goodwill impairment and a 34.5 million impairment of intangible assets during the quarter. This was partially offset by future income tax reductions of 10.5 million relating to the difference between the tack (phon) and book amortization of the intangible assets. Income tax for the quarter were effectively zero, with a \$5.8 million of current taxes offset by future recoveries of 6 million.

Net earnings for the quarter were a loss from 163.2 million compared to earnings of 12.2 million in the third quarter 2007; diluted earnings were negative \$3.41 per share for the quarter against earnings of \$0.25 per share for Q3 last year. Excluding the impairment charge, net earnings from operations were 16.7 million for the three months ended, representing an increase of 4.5 million or 37 percent as compared to the same period in

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2007 and 47 million for the nine-month period ended September 30th, representing an increase of 6.3 million or 15.5 percent as compared to the prior year. Diluted earnings per share, excluding the impairment charge, were \$0.35 cents for the quarter and \$0.98 cents per share for the nine-month period.

Funds provided by our operation before a change in non-cash working capital were 38.3 million compared to 33.5 million for Q3 last year. Capital expenditures, net of dispositions, were 16.6 million for the quarter compared to 20.6 million during the third quarter 2007. This is an example of our ongoing cash management and holding expenditures in line. Long-term debt, including the current portion at September 30th, increased by 1.2 million to 408.2 million from June 30th, and up 39.7 million from December 31st, 2007.

During 2008, Flint began a program to improve the utilization of the working capital on its balance sheet. Revenue in excess of billing has decreased 67 million from December 2007. As the result – as the improvement in our billing process flows from receivables to cash, we will see a significant reduction in debt during the fourth quarter of this year. Free cash flow for the quarter, defined as EBITDA, less capital expenditures and cash taxes, was 32 million and 86.8 million for the first

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nine months. A portion of this was used in the normal course issuer bid but reflects strong cash flows from operations in 2008. At September 30th, when fully diluted, Flint had a weighted average of 47.8 million class A voting common shares outstanding compared to 47.9 million shares for the same period last year. The actual number of shares outstanding at the end of the period was 40.3 million shares.

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

BILL LINGARD: Thanks, Paul. I'll provide some commentary on recent activity levels and trends and discuss what we expect to see in the winter drilling season ahead. The outlook for the fourth quarter of 2008 is for continued seasonally higher activity levels based upon our customers' existing budgeted projects, and we see good contributions from all of Flint's operating segments. Changes announced by the Alberta Government to the oil and gas royalty regime in 2007, together with reduced natural gas prices, a higher Canadian dollar, has resulted in reduced drilling activity in Alberta over the past year. Current drilling activity should yield 18,000 wells drilled this year, down from 18,500 wells drilled in 2007.

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Western Canadian drilling activity did pick up steadily, with an average of 435 active rigs in the third quarter compared to 348 last year. While rig activity was up 25 percent in the quarter, the wells drilled were down 3 percent due to both deeper drilling and fewer shallow gas wells in the mix. October reported 446 average rigs active, which is about 100 rigs more than the same time last year, and we believe we should see a reasonable strong Q4. First quarter 2009 drilling is expected to see a seasonal increase, especially in northeastern British Columbia where gas activity has greatly increased due to the interest in the Horn River and Modanee (phon) shale plays. However, forecasts for 2009 drilling activity in Canada have been impacted by the recent market turmoil, and some forecasts are now calling for a 10 to 15 percent contraction in conventional drilling, which will be primarily impacted in the latter half of 2009.

Canadian production services, which typically lags drilling activity, was impacted in the third quarter by lower levels of drilling in the first half of 2008. However, activity will be seasonally busier in the fourth quarter and into the first quarter of 2009, notably in the northern parts of British Columbia and Alberta, where access is only available in the winter conditions. Also, we have seen a return of some customers to shallow gas drilling. Oilfield transportation and tubular management, which closely

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track rig activity, saw improved results in Q3 due to general price increases implemented early in the quarter and cost reductions made, particularly in oilfield transportation. Flint expects to see some improvements over the next two quarters due to the seasonal uptick in activity.

Specialized hauling has not been as busy as we expected, due to delays in construction on some existing projects, but did help with the revenue growth. While we may see slower growth in specialized hauling in 2009 due to the recently announced project delays, we will still – we still expect to see this business add revenues in 2009. United States rig counts continue to remain busy, with an average of over 1,978 active rigs in the third quarter, up 12 percent over the last year. Overall, US activity year-to-date is up 13 percent over 2007 levels. Fourth quarter drilling is expected to remain fairly strong as companies work through their 2008 budgeted projects. Forecasts for 2009 drilling activity levels in the US are expected to contract by 10 to 15 percent, with lower commodity prices and tighter credit conditions. The increased levels this year of drilling in the US have resulted in good backlogs of gas well (inaudible) and related field work, which continue to keep the US production services and JW Williams busy.

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Flint's facility infrastructure business segment remains sound, with close to 1 billion in construction backlog, represented by projects for Suncor Energy and Shell Albian Sands in the Fort McMurray region of Alberta. Flint will reach peak construction activities on both projects in early 2009, which will continue until early 2010 as originally projected. There is some question about what level crude oil prices are required to support future oil sands developments. Recently, we've seen the news reports that suggest it will now take \$90 oil to provide a reasonable rate of return on new projects. We've also heard existing operators say that their projects are economic at current oil prices. The answer depends on the operator and the project, but it also depends on where you think commodity prices will be over the next few years.

We believe oil will recover in the near term and our customers are also operating under this same belief, so projects are proceeding and expenditures in 2009 will still provide lots of work in Fort McMurray. So while future oil sands construction work may be impacted by project delays as a result of higher cost estimates and lower commodity prices, this should help with existing manpower shortages and also help reduce the rising cost in this area. At this time, Flint continues to work with a number of major oil sands producers who indicate they intend to proceed with

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some aspects of their previously announced projects. These future projects are not included in Flint's current construction backlog.

FT Services, Flint's 50 percent owned joint venture maintenance company, recorded higher activity levels in the quarter with increased routine maintenance work at Suncor's Energy Sarnia refinery and the ramp-up on the Canadian Natural Resources Horizon maintenance contract. Additionally, FT has been awarded pipeline maintenance work at CNRL's Horizon project, which will begin during the first quarter of 2009. FT Services is discussing maintenance opportunities with other customers and expects to see further contracts in 2009.

Well our three key priorities for Q4 in 2009, first, to improve our margins through pricing discipline, cost control and integration; second, to reduce our debt, for the resulting cash flow from our improvements and our working capital reductions; thirdly, to deliver on our backlog. The Flint people will use their skills, experience and processes to deliver the projects and services to our customers with the safety and efficiency they need. We will stay nimble, we will capture the good opportunities, and we will right size each business for the current market condition.

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

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

Your first question comes from John Tasdemir of Tristone Capital. Please go ahead.

JOHN TASDEMIR: Hey, morning, guys. I actually didn't plan on getting called this early, but let me just ask you one question. What – any idea what component of your revenue was – came out of US, say last nine months, what the dollar amount was or the percentage was? Are you guys there?

BILL LINGARD: Yes.

PAUL BOECHLER: Yes, just looking.

BILL LINGARD: Paul's looking over a sheet here but...

JOHN TASDEMIR: You can come back to it.

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BILL LINGARD: It has been just under 25 percent in the second quarter. It would have been over 25 percent. In the first quarter around 25 percent and a little bit less than 25 percent in this quarter.

PAUL BOECHLER: In the third quarter, it was 132 million in the US and for the nine months, it was 378 million, both in Canadian dollars.

JOHN TASDEMIR: How do you – I'm sorry, say that one more time.

PAUL BOECHLER: 132 million for the three-month period and 378 for the nine-month period.

JOHN TASDEMIR: Okay, how do you feel that that your businesses in the US are positioned? Vis à vis, I think the general consensus now is that US rolls pretty hard next year, but I think there's still big growth in kind of shale areas and a drop in the conventional side of things more of the vertical stuff. How are you guys positioned do you think for next year's market in the US?

PAUL BOECHLER: I think there is two parts to that, John, and the first is that our geographic coverage of the basins in the US allows us to continue to be as active as they are in the shale basins, especially in Texas. And then our customers, you know, have asked us to expand in certain areas in the Rockies, providing additional services, and we saw lot of growth this year in our the Peance (phon) basin area, so I think the fact

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that we're diverse through our operations in the US, and when we look at things, we're seeing that people are seeing a 10 to 15 percent decline in drilling. That will impact us to some degree, but there's still a lot of activity going on and, as we don't have as big a market share, there's still opportunities for us to continue to be very successful down there and, as you can see the growth year-over-year, that's still occurring.

BILL LINGARD: We do have some of our larger clients, John, who have committed and are continuing to want to commit bigger pieces of their work to Flint down there, so we've been in conversations and negotiations to take over some areas for those same clients where we hadn't participated before, so you know what? I think we do get a little bit of insulation from any conventional slowdown.

JOHN TASDEMIR: Okay, that's all I had for now, guys. I might re-queue with some more. Thanks.

OPERATOR: Your next question comes from Roy Ma of Blackmont Capital. Please go ahead.

ROY MA: Hi. Good morning, guys.

BILL LINGARD: Morning, Roy.

ROY MA: Yes, just my first question, can you tell me for the quarter what was the split between Flint USA and JW Williams was?

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BILL LINGARD: The portion that was production services and the part that was, for the quarter?

ROY MA: Yes.

PAUL BOECHLER: The JW Williams represents approximately 25 percent of our US, approximately 25 percent of our US revenue, may be a little be more, maybe between 25 and 30, so it would have been pretty consistent through the quarter.

ROY MA: And is that the same statistics for year-to- date as well?

PAUL BOECHLER: Yes, it's pretty close.

ROY MA: Okay. Now second question, your (inaudible) communicated your oil sands construction backlog at around \$1 billion for – looking back, it seems like it's almost a year now. Given that you've been working down those contracts with Suncor and Shell and that \$1 billion seemed to have stayed more or less the same, are you saying that you've been adding to that backlog? And, if so, with – who are the customers? And can you give me some specifics on what those additions are?

BILL LINGARD: We, indeed, have added to the backlogs substantially. We've been adding at about the same rate we're burning, which is kind of interesting. When we first announced our 1 billion of

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backlog, we had just been awarded the first component of Firebag Phase III. Since then we've had several new work releases on additional pieces of III and phase IV, so we've added to the backlog on that project, and we've increased the scope and have had scope changes and additional work given to us on Albion, so both have increased their backlogs.

ROY MA: Okay.

BILL LINGARD: And both projects equally have added to our backlog.

ROY MA: Okay. My next question is, can you tell me what are your fixed costs like in your facility infrastructures division?

PAUL BOECHLER: Well the majority of our fixed costs, of course, are facility for the modular fabrication in Sherwood Park.

ROY MA: Okay.

PAUL BOECHLER: So the facility there and the mod yard, we have about 90 acres of space and over 200,000 square feet on the roof, so that would be the majority of the biggest part of the fixed cost. On site, our customers provide lot of the office space and those sorts of things so they don't add fixed cost. So then outside, of that we would have our business development team and then all, of course, all of the normal estimating and the portion of that and, as you can see, that's becoming a smaller part of

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the revenues that manage to grow their revenue base and their SG&A across have (phon) grown substantially.

ROY MA: Can you give me an idea what the monthly burn would be on the fixed cost, just a rough idea?

PAUL BOECHLER: I actually don't think I have the shop costs with me. On the SG&A side, I can kind of make a guess, but they're running in a, you know, only a couple of percent of their revenue for the SG&A side. And the fixed costs from the shop, sorry, I don't have that with me at the moment.

ROY MA: Okay. So my next question I guess sort of ties back to this. Maybe a different way to ask it is, if we look into 2010, and suppose your facility infrastructure revenue falls by, say a half to 60 percent in 2010 because of delays in so many of these oil sands projects, and let's suppose that you are less able to negotiate, say favourable terms and pricing for these contracts, like the cost plus (inaudible) of contracts that you've been enjoying because of a more competitive environment. So can you give me, an idea under that kind of scenario where your margin may fall to for this division, using a, say a \$250 million revenue type of scenario?

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BILL LINGARD: So, Roy, I think the reason we're struggling to give you a fixed cost, because most of it is variable, even on the 90 acres and in the fab shop, because you do have a substantial cost there today. We've got about 900 guys working in Edmonton, but that's all charged back to the projects, of course. And in the past, we've shown our ability to be able to scale that down. If you just go back, you know, as we wrapped up early this year on opti, we got down to about 250 people up there; now we're back up to about 900, so it is variable.

So I think if we went down to revenue levels half of what they are this year, your margins are still going to be in the 9 to 10 percent range in that division. It's not like your margins get eroded and in the – even on the SG&A side, we carry a certain number of construction management people. A lot of these guys are hired guns and they know that, you know, if we don't land another large contract, we send them home; we don't just keep them on staff or anything. So I don't see the margins changing in that business, even if the volume slowed down.

ROY MA: Okay. Now, just tell me turnover to the – can you give me a flavour to what type of additional workflow that FT Services are working on in terms of specifics, and you know, clients, projects and maybe potential size of those contracts? Can you shed some light?

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BILL LINGARD: Sure. There's some substantial sized contracts; I don't want to name the specific clients because, you know, we're still negotiating and still in discussions and looking at opportunities. But in general areas, I can tell you that in the refining areas of Alberta and Sarnia, we're talking to clients about taking on additional maintenance and sustaining CAPEX turnaround-type business in refineries; and with oil sands producers, talking about taking on maintenance and looking at contract potential or upgraders and bitumen extraction-type facilities. So it would be those two areas. None of them are as big as the Suncor contract, but they're all substantial in size.

ROY MA: So, now, from a manpower standpoint, are you constrained somewhat by that, given the size of the Suncor contract? I know it's once every two year type of cycle, where it is heavier this year and probably lighter next year. I'm trying to get a flavour for how much could you actually grow that, say in the next say 12 to 18 months?

BILL LINGARD: It's actually – I mean it's challenging to grow it, but it's not too bad because you're in an operational mode and you're not just hiring a person for a construction project. We do have pretty good success with getting people to come and stay. You don't see the turnover you do on the construction projects, so when – and I guess that for the growth

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facilities in Fort McMurray, it's going to be most challenging, but again, you can get some of these folks that have been there on construction to go to the maintenance side fairly quickly because they know it's long term; it's a five-year rolling contract; it's long term; it's good steady work so we fill those jobs, I won't say easily, but we get them filled.

The – and when you take over an existing facility, and the best example of that is – the recent example is Sarnia in August – we were able to on-board all of the current employees who did maintenance and bring them on as employees of FT Services. So you do pick up the people. People, even if the contract goes to a new company, the people don't want to go, so you know, we tend to still review resumes and experience and make sure we keep the right people and the best people.

ROY MA: All right. On your transport business what's the acceptance been like in terms of the pricing increase?

BILL LINGARD: We had some pushback from a couple of large plants that we did a lot of work with, and we had to give them more notice period. In some cases, we actually got our trucks sent home, and they used somebody else to move their rigs for a period of time in August, but we're back moving their rigs again now. They didn't like what the competitors did in terms of efficiency and safety and some of those things.

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So it was difficult but everybody has accepted it, and we're going to stick with the discipline; we're not going back – I mean what I – and I've sat across from clients myself and those two big clients that pushed back, I've sat across from those two myself and told them, you know, we're tired of losing money and you don't like the fact that we're getting recovery on our fuel and our labour and we want to make a dollar, but we're going to and they've accepted it, so it's been a tough sledding, but my mind, we've got through the worst of it, and we see our big competitors, at least, being there with the same – you know, they need to make a dollar to pay for their equipment as well.

ROY MA: Okay. Just – so I'm going to take that to mean that the two large customers you did actually get them back?

BILL LINGARD: Yes.

ROY MA: Okay. Outside the oil sands, who are your top five customers in Canada and US? Can you name them at the top of your head?

BILL LINGARD: Outside of oil sands?

ROY MA: Yes, just outside – I mean, it's obvious in oils sands, it would be Suncor (inaudible)?

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BILL LINGARD: Well, Shell, BP, Imperial Oil, EOG in the US and it's going to be CNRL, Husky are both big clients; Devon, a big client.

ROY MA: Okay, I get the idea. Okay, and then lastly, do you have any debt maturities coming up, I guess between now and let's say next fall, large debt maturities?

PAUL BOECHLER: The only debt maturity we have between now and next fall is late next fall in which it's the renewal of our revolver.

ROY MA: So you did recently renew that?

PAUL BOECHLER: No, it's been – it was a multi-year deal and the next renewal is late next year.

ROY MA: Okay, thank you very much. I will turn it over to someone else.

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

ROGER SERIN: Yes, guys, just very quickly, one question on your specialized hauling. How much revenue was there in the quarter and how does that compare to a year ago?

BILL LINGARD: I think it's between 5 and 6 million for the quarter revenue.

ROGER SERIN: And last year?

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PAUL BOECHLER: And about 4 million last year.

ROGER SERIN: Okay, thanks very much, guys. Good quarter.

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

JEFF FETTERLY: Morning, guys.

PAUL BOECHLER: Hi, Jeff.

JEFF FETTERLY: A couple of questions across the spectrum. Your comments around JW Williams and the slowing throughput in Q3, are we likely to see a big number in Q4 to make up or catch up from what we saw in Q3?

BILL LINGARD: We'll see a better number.

PAUL BOECHLER: I think there'll be some catch up because, like I said, it was really deliver of some of the specialized parts we needed that impacted us, and so we expect to see some of that made up in the fourth quarter.

JEFF FETTERLY: On a go-forward basis in US dollar terms, do you still expect that to be running in the 25 to \$30 million a quarter range?

PAUL BOECHLER: Yes.

JEFF FETTERLY: Okay. Transport, on the margin side, you talked about likely to see some improving margins in Q4. What – can you give us

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an idea in terms of order of magnitude? And last quarter you'd talked about pricing being 20 percent off of 2006 peak and continuing to your erosions. Can you give us a sense as to where pricing sits today and where it was in Q3 relative to, say Q2 for instance?

BILL LINGARD: Sure. The prices in Q3 were about 15 percent above Q2 and we've pretty much held that, and we probably will hold that going forward. We were thinking of another price increase; we may not be able to do that so we're going to have to work on the costs side and get costs down, but we still may do another price increase as well. But in terms of EBITDA margins based on that, the EBITDA margin improved each month through the quarter so September was better than August and August was better than July as we got those price increases through, so we expect better margins for the fourth quarter.

We're certainly, you know, have remained busy with the rig activity level like it is. First quarter is always our biggest quarter for that, so it's kind of – we've got a lot of work lined up for this winter. It's – got a lot of customers who have committed to it. We'd like better margins, but I'll give you a range and I still think it's going to be in that, like we said before, that 10 percent EBITDA margin. It's probably going to be bigger than that in the first quarter, but for – if you look at it on an annualized basis, I think you're

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going to be somewhere in that range and, obviously, that's not enough and we want more than that. That's where we think we can get it based on what the market is telling us right now.

JEFF FETTERLY: If I look at Q4 of last year, a top line number that was much stronger than or stronger than what you saw in Q3 and about the same level of margin you had in Q3, if you were to assume the same revenue number in Q4, can you give me a sense as to how you think your margins might lift on a sequential basis?

BILL LINGARD: Well, again, I think it's – you know, I think it's going to be between that 10 and 15 percent.

JEFF FETTERLY: Okay.

BILL LINGARD: Which would be a lift over the last year.

JEFF FETTERLY: Okay, so basically double what you did in Q3 from a margin perspective?

BILL LINGARD: Yes.

JEFF FETTERLY: Okay.

BILL LINGARD: Somewhere in that range. I mean I'm not going to give you an exact number; I can't.

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JEFF FETTERLY: No, that's a tight enough range for me. Thank you. The goodwill, what would this write down? Do you have any intangibles or goodwill left with the Transco deal?

PAUL BOECHLER: Yes, we have it in both transportation and tubular, but not very much in the – and I (unintelligible) the round numbers. In transportation, I think the number is down to about 10 or 11 million plus some intangibles related to name recognition and some of the non-competes. In the tubular side, it's also down to about 8 or – between 8 and \$12 million, and so there's not a lot left on either of those two.

JEFF FETTERLY: Okay. Just briefly some colour around why you've done the impairment test prior to year end?

PAUL BOECHLER: Well I think there's a couple of reasons for that, is we've tried to monitor and over the last two years since we acquired Transco, clearly, we did not meet the operating success that they had prior to the acquisition. So as we went through the year and were a little bit behind our targets, we began to ask, when would we have a triggering event in which one needed to do a detailed calculation? And two things occurred; one was that we continued not to meet all of our operating expectations, and the second was, with the situation in the equity market and looking at the – some of the values. So when we looked at those

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things, we said, you know, we could put it off and hold off, but we decided we'd look at it hard and try and do a good evaluation of where we were in terms of equity markets, cost of capital and everything today. So we decided to go forward at this time because of those events.

JEFF FETTERLY: What deteriorated from year end '07 to Q3 '08 in terms of your assessment of that business?

PAUL BOECHLER: Absolutely the operating results. The second quarter we had losses on the – exceeding our expectation again, and as we went into the third, we could see some of the turnaround. We could see an increase in the activity, but we didn't believe it was to the level necessary to be able to carry that level of goodwill going forward.

JEFF FETTERLY: Okay. On the debt side, you mentioned a fair bit of working capital coming onto your – or working capital being taken off your balance sheet towards debt in Q4. Do you have a sense as to the magnitude of that?

PAUL BOECHLER: (Unintelligible).

JEFF FETTERLY: Where do you think your AR levels might be on a go-forward basis?

PAUL BOECHLER: Well I think there are a couple of things. One, is we think we – like I said, in the past, especially in our major projects, our

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ARs and revenue and excess have gotten too large and because of that transition ability to move it in from revenue and excess into quicker billing to our customers and, you know, getting – making sure that we get all of those things paid down, we'd certainly like to – well I hate to make a guess at the number because you've probably got a pen in your hand and you're writing it down.

JEFF FETTERLY: Of course not.

PAUL BOECHLER: No. But I'd sure like to see us being able to put \$50 million against it in the fourth quarter.

JEFF FETTERLY: Okay. Two more questions. You mentioned shallow gas is starting to see a little bit of a lift. Can you give us some colour on that?

BILL LINGARD: Yes, the biggest client that's really picked up for us is Petro Canada and we're seeing a few other clients. We did have part of our transportation issue, even in Q3, was around the lack of activity and rig moving activity for our Brooks, Medicine Hat areas, and we have picked up a substantial amount of work, and we're getting a lot busier down there. And same in production services; we had a real lack of tie-in activity and activities, we were sending our guys, our crews and our trucks, for that matter, to other areas like northeastern Alberta, up in the oil sands regions

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and stuff, to keep them busy on projects up there because we just had a real lack of work. And we see that, you know, now with the colder weather and I guess may be a little bit of more optimism on gas prices, we're seeing some guys go back to that, and you know, we're well positioned to be there to service that.

JEFF FETTERLY: Okay. And, lastly, FT, what do you expect for a run rate pretty strong Q3? Is that a sustainable level for Q4 and into '09?

PAUL BOECHLER: I think that, yes, we've seen – you know, we had the bigger turnaround, but from the things we're doing and the work we're picking up with Sarnia, with CNRL, we expect to be able to maintain a level pretty close to where we are at this point for the next little while, and then we certainly see opportunities to grow may be later in 2009.

JEFF FETTERLY: Okay. So assuming you don't pick up any additional contracts, that could easily be a \$250 million business net to you next year?

BILL LINGARD: Yes.

JEFF FETTERLY: Okay. I (unintelligible), sorry.

BILL LINGARD: We think somewhere around 70 million a quarter, or 70, yes.

PAUL BOECHLER: Yes.

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BILL LINGARD: That range.

JEFF FETTERLY: Okay. I will pass it back. Thanks for the colour.

OPERATOR: Your next question comes from Tim Schultes of First Energy Capital. Please go ahead.

TIM SCHULTES: Good morning, guys. Most of my questions have been answered. Just one more thing of clarity on the debt capacity. I believe you have about 475 million in term loans and revolvers of capacity and about 85 percent of that drawn. Now, I know you're going to trying to grind that down, but you can increase that by 100 million. What would be the timing in terms and all that on the incremental and 100?

PAUL BOECHLER: There's two parts of that. One part would be the accordion feature in our revolver, which allows us to add about \$40 million to our revolving loan, so that would be under terms similar to our existing revolver, which we have about 50 or 70 million of capacity in at the moment. And then the second is, we have the ability under our banking agreements to expand our term facility as well. The banking – the expansion of our term facility would be based on two things. One, it's more on the current market because it would be a fixed term facility at fixed rate, and the second is that it would be specific use on probably requirements under that part of the term.

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TIM SCHULTES: Okay. But, of course, the goal is just to grind away at the existing and not to go there?

PAUL BOECHLER: Absolutely.

TIM SCHULTES: Okay, and you mentioned a backlog of tie-ins. Do you have a dollar amount, how much that might be?

PAUL BOECHLER: In our US operations would be where that exists and, no, we don't have a specific number. They do have a little bit higher ratio of revenue from their tie-ins than the Canadian portion, but I don't have an exact backlog number.

TIM SCHULTES: Okay. And one of the goals is to improve margins. Do you have guidance on transportation for the next five quarters or so?

BILL LINGARD: I think that was one of the previous questions and we're certainly not happy at all where our transportation margins are. We think, if you look at the cuts we've made, the pricing increases we've done, and you look at it on an annualized basis with 18,000 wells being drilled in Canada, it should yield somewhere between 10 and 15 percent margin.

TIM SCHULTES: Okay.

BILL LINGARD: EBITDA margin.

TIM SCHULTES: Yes. Okay, great. Thanks, guys.

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

DANA BENNER: Good morning, guys. It's getting late, so just two quick questions. Firstly, with respect to receivables, to what extent has days outstanding gone up? And, you know, have you done a good analysis so of your exposure there? And then secondly, with respect to FT Services, just curious, in terms of looking at that next round of projects, you may be able to reel in, do clients get more or less willing to entertain you taking on these big project maintenance contracts in this type of environment? Over to you.

PAUL BOECHLER: I'll answer the receivables and I'll let Bill talk about FT. With respect to receivables, actually, our days sales outstanding has declined since the start of 2008. We're still not where we want to be, but we have declined to below – to – into the early 90 days, and we include inventories in that calculation because we're trying to be fairly hard on what's tied up in our working capital. And as a result, the most important thing for us, Dana, is the amount of our receivables we've been able to move from the older level in revenue and excess into what's in current, and like I said, I think we'll see a big change over the next 90 days.

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With respect to FT?

BILL LINGARD: Yes, FT; the clients' willingness to switch to the type of model we have, yes, absolutely; we still see it's there and it's very strong, Dana. And the reason is that the clients themselves, with the way that the work gets planned and executed for maintenance today, a lot of it is reactive. They certainly don't plan enough of it; there's not much efficiency and they're having a very tough time to contain their own cost and that's what we get hired to do, is to be – drive that efficiency, contain the cost and it's plan, plan, plan, plan, and then execute, is how we look at it and make sure that we are proactive in our approach. So that the type of system we bring in and the type of results we're able to bring to the clients when it comes to their maintenance, is what they're looking for and we're seeing lots of appetite for it.

DANA BENNER: All right. Sometimes I just find that companies are less willing to try new models and new things when they're fighting a rear guard actually against prices and, you know, volatile market conditions?

BILL LINGARD: What we've done, particularly – and I don't want us to talk to the specifics of our contracts – but we're willing to go into a large client on a more traditional basis and work our way into doing more of the managing of their maintenance. And we've, you know, done that in certain

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cases so – and that model seems to be working. Where you go in with gesture, you know, cost plus on your people and then they let you take on more and more scope. And so we have developed some strategic development boards and stuff with our clients for the maintenance contracts we've got to look at how they're going to better manage their maintenance.

DANA BENNER: Okay, guys, that's it. Thank you.

OPERATOR: Mr. Lingard, we are currently out of time for the conference call. I will pass it over to you for closing remarks.

BILL LINGARD: Okay, thank you, Matt, and thanks to everyone for participating in our presentation today. We look forward to talking to you again soon with our results for the fourth quarter and 2008 year end. Thanks, everyone.

PAUL BOECHLER: No, I have one thing to say. Guy just passed me a note and apparently when I read my portion, I actually said one number inaccurately. The number of common shares outstanding at the end of quarter was 47.3 million common shares, sorry about that. Thanks.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating.

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