

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of the results of operations in the year ended December 31, 2008 for Flint Energy Services Ltd. ("Flint" or the "Company" or "we" and "our") should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2008 and accompanying notes. The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars.

Flint Energy Services is a market leader providing a range of integrated products and services for the oil and natural gas industry including: production services; field construction; oilfield transportation; process equipment design and manufacturing; and tubular management services. Flint provides this unique breadth of products and services through over 60 locations in the oil and natural gas producing areas of western North America, from Inuvik in the Northwest Territories to Mission, Texas on the Mexican border. Flint is a preferred provider of infrastructure construction management, module fabrication, and maintenance services for upgrading and production facilities in Alberta's oil sands sector. The Company's common stock is traded on the Toronto Stock Exchange under the symbol "FES".

Advisory Regarding Forward-Looking Statements

This report dated as at March 12, 2009 contains forward-looking statements under "Outlook" and elsewhere concerning future events or the Company's future performance, including the Company's projected operating results for 2009 and beyond, and anticipated capital expenditure trends and drilling activity in the oil and gas industry. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Actual events or results may differ materially from those reflected in the Company's forward-looking statements due to a number of known and unknown risks, uncertainties and other factors affecting the Company's business and the oil and gas industry generally. These factors, include, but are not limited to, fluctuations in oil and gas prices, fluctuations in the level of oil and gas industry capital expenditures and expenditures on production and remedial work and other factors that affect demand for the Company's services, industry competition, the need to effectively integrate acquired businesses, uncertainties as to the Company's ability to implement its business strategy effectively in Canada and the United States, political and economic conditions, the Company's ability to attract and retain key personnel, and other risks and uncertainties described under "Risk Factors" and elsewhere in the Company's Annual Information Form for the year ended December 31, 2008 and other documents filed with Canadian provincial securities authorities and available to the public at www.sedar.com. The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be relied upon. These statements speak only as of the date of this report. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on the Company's behalf, except as may be required under applicable securities laws. The forward-looking statements contained in this report are expressly qualified by this statement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of Canadian dollars except share data,
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DESCRIPTION OF NON-GAAP MEASURES

Throughout this MD&A, management uses the following terms and ratios not found in the Handbook of the Canadian Institute of Chartered Accountants (CICA) and which do not have a standardized meaning under GAAP; therefore, requiring definition are the following:

"EBITDA" is equal to (loss) earnings before interest, taxes, depreciation, amortization, impairment charge, and stock based compensation. The Company presents EBITDA as a supplemental earnings measure as it is used by the chief operating decision-makers of the Company to measure operating segment profitability. Management uses EBITDA to establish performance benchmarks for incentive compensation for employees, to evaluate the performance of its operating segments and for valuing its existing operations to determine potential goodwill impairment.

"Adjusted net earnings" is equal to net (loss) earnings excluding \$426.3 million which represents the Company's after-tax impairment charge related to goodwill, intangible assets, and property, plant, and equipment. The Company uses adjusted net earnings as a measure of profitability excluding extraordinary items to evaluate the Company's performance. Adjusted net earnings per share is equal to net (loss) earnings per share excluding the impairment charge.

"Gross margin" is calculated by subtracting direct costs from revenue. The Company believes gross margin is a measure of project profitability commonly used to evaluate the Company's performance.

"Gross margin percentage" is calculated by taking gross margin and dividing by revenue, expressed as a percentage.

"Days sales outstanding" (DSO) is calculated by taking the average accounts receivable, revenue in excess of billings, and inventories, and subtracting billings in excess of revenue for the period; the result is divided by revenue for the period, expressed in number of days. Management uses DSO to evaluate the effectiveness of billing and collection of revenues.

"Funds provided by operations before changes in non-cash working capital" is equal to net (loss) earnings adjusting for items not affecting cash. The Company presents funds provided by operations before changes in non-cash working capital to measure funds generated from operations.

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

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

These non-GAAP financial measures and ratios may not be comparable to similar measures and statistics presented by other issuers. The ratios are presented because they are commonly referred to by lenders and other interested parties in evaluating the Company's financial position.

RECENT EVENTS

Restructuring of Operations

On January 7, 2009, the Company announced a restructuring of its business segments as part of a continuing process to streamline operations. The restructuring creates a more balanced weighting of conventional oil and gas drilling and production, and heavy oil and oil sands-related work. In addition, it contributes to a greater focus on working capital reduction and margin improvement through the creation of operating synergies and efficiencies from the consolidation of management, administration, supply chain, support services, accounting, and internal controls.

The revised reporting structure consists of the following four operating segments: Production Services, Facility Infrastructure, Oilfield Services, and Maintenance Services.

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Production Services operating segment, which now includes the previous Tubular Management & Manufacturing segment, remains focused on midstream oil and gas field production services. These services encompass: fabrication, construction and maintenance of production facilities, mid-inch pipelines, and production equipment; and mid-sized construction management; inspection, repair and refurbishing of production tubing, drill pipe, sucker rods, casing, small-diameter pipelines and polyethylene pipe and liners. This combined segment will create synergies among management, labour, fabrication shops, and pipe yards throughout Canada and the United States.

Facility Infrastructure operating segment, which includes Flint's oil sands construction activities, remains unchanged and provides construction management, modular fabrication, and field construction services on major construction projects primarily in Edmonton and Fort McMurray, Alberta.

Oilfield Services operating segment now combines the Fluid Haul Services business unit previously reported in Production Services, and the previous Oilfield Transportation segment. This new segment will provide drill rig and service rig moving; module, equipment and specialty hauling; fluid handling, pressure and vacuum services; industrial and chemical cleaning; and coiled tubing and flush-by services. The merging of these two businesses consolidates the sharing of facilities, maintenance, administration, sales, operators, training, and management.

Maintenance Services operating segment remains unchanged, and consists of three joint ventures: FT Services, Mackenzie Valley Construction, and SRP North Ventures.

A summary of the 2008 and 2007 operating results for the restructured operating segments is presented on page 41. The Company will adopt the revised operating segments for its Canadian GAAP financial statements in the first quarter of fiscal 2009.

Multi-Year Construction Contract in Cold Lake Region

On February 5, 2009, the Company announced that it was awarded a six-year mechanical construction contract with a major producer in northeast Alberta. The contract includes an option to renew for another four years with the entire contract being worth between \$300 million and \$500 million over the life of the agreement. The contract was awarded to the Company's Production Services division and will involve the construction of cyclic steam stimulation well pads, installation of wellhead equipment, and construction of above-ground and underground pipelines. The work commenced in the first quarter of 2009.

Suncor Contract Postponement

On January 22, 2009, the Company announced the potential impact of Suncor Energy's announced reductions in capital expenditures for 2009. Suncor is a valued client of Flint and, based on Suncor's announcement, it is anticipated that 2009 revenues in the Facility Infrastructure division may be reduced by \$100 to \$150 million from 2008 levels.

Suncor's decision to postpone completion of its Firebag 3 project in Fort McMurray, Alberta had a significant impact on the Facility Infrastructure division. Flint has been working with Suncor as it demobilizes from the project to ensure that the project is left in what has been described as a "safe mode" to preserve and protect the facilities currently fabricated or constructed and to permit future resumption of work on the project. This postponement resulted in immediate layoffs of construction workers with additional layoffs to follow once the project has reached "safe mode."

Normal Course Issuer Bid

On February 26, 2008, the Company released details of its normal course issuer bid ("NCIB") to purchase up to 2,379,689 of the Company's common shares, representing 5% of its then issued and outstanding common shares. The NCIB commenced on February 29, 2008 and terminated on February 28, 2009. Management believes that the current market price of its common shares does not accurately reflect their underlying value and expects that the purchase of common shares will benefit the remaining shareholders of the Company by increasing their proportionate equity interest in Flint. On February 26, 2009 the Company announced another NCIB to purchase up to an additional 2,308,725 common shares, representing 5% of the total issued and outstanding common shares. The NCIB commenced on March 3, 2009, and will terminate on March 2, 2010.

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In the 12 months ended December 31, 2008, the Company purchased 1,732,300 common shares at an average cost of \$11.05 per share (inclusive of brokerage fees) for a total expenditure of \$19.1 million. Subsequent to December 31, 2008, the Company purchased an additional 14,000 common shares at an average cost of \$6.69 per share (inclusive of brokerage fees) under the NCIB.

Impairment of Goodwill, Intangible Assets, Property, Plant, and Equipment

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair value. In assessing whether or not there is impairment, the Company uses a combination of approaches to determine the fair value of a reporting unit, including both the discounted cash flow and market capitalization approaches. The Company completed an interim goodwill impairment test on September 30, 2008 as a result of changes in market conditions in the Oilfield Transportation and Tubular Management and Manufacturing operating segments. At that time, the Company concluded that the carrying value of goodwill in these operating segments exceeded their fair value, which resulted in a goodwill impairment charge of \$155.8 million.

At November 30, 2008, Flint had \$246.1 million of goodwill recorded in conjunction with past business combinations, with the majority of this (\$183.6 million) allocated to the Production Services business segment. Goodwill is subject to annual reviews for impairment based on a two-step accounting test. The first step is to compare the estimated fair value of any reporting units within the Company that have recorded goodwill with the recorded net book value (including the goodwill) of the reporting unit. If the estimated fair value of the reporting unit is higher than the recorded net book value, no impairment is deemed to exist and no further testing is required. The Company performs its annual goodwill impairment review in the fourth quarter of each year.

During the fourth quarter of 2008, there were severe disruptions in the credit markets and reductions in global economic activity which had significant adverse impacts on stock markets and oil-and-gas-related commodity prices, both of which contributed to a significant decline in the Company's stock price and corresponding market capitalization. For most of the fourth quarter, the Company's market capitalization value was significantly below the recorded net book value of its balance sheet, including goodwill. As a result, a secondary test is required to determine the fair value of the assets on the balance sheet. A key component of this second impairment test and fair value determinations is a reconciliation of the sum of the net present value of the Company's business segments to its market capitalization. Management uses all available information to make these fair value determinations, including the present values of expected future cash flows using discount rates commensurate with the risks involved in the assets. The Company uses an average of its market capitalization over the 30 calendar days preceding the impairment testing date as being more reflective of the Company's stock price trend than a single day, point-in-time market price.

The accounting principles regarding goodwill acknowledge that the observed market prices of individual trades of a company's stock (and thus its computed market capitalization) may not be representative of the fair value of the company as a whole. Substantial value may arise from the ability to take advantage of synergies and other benefits that flow from control over another entity. Once the above net present value calculations have been determined, the Company also adds a control premium to the calculations. This control premium is a matter of judgment and is based on observed acquisitions in the Company's industry. As a result of the current market capitalization of the Company, Flint recorded an additional impairment charge for the fourth quarter 2008 of \$246.2 million, bringing the total goodwill impairment charges to \$402.0 million for the year ended December 31, 2008. The impairment charge was partially offset by a decrease in the related future tax liability of \$20.2 million for the fourth quarter.

In conjunction with the Company's interim and annual assessment of goodwill for impairment, the Company reviewed the carrying value of intangible and long-lived assets. As a result of these assessments, the Company concluded that the fair value of intangible and certain other long-lived assets was less than the carrying values and that these assets were impaired. The Company recorded impairment charges of \$34.5 million and \$6.1 million during the third and fourth quarters, respectively, as impairment on intangible assets and further recognized an impairment of \$16.3 million during the fourth quarter related to the long-lived assets. These were partially offset by reductions in future tax liabilities of \$12.4 million during the year.

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For the year ended December 31, 2008, total goodwill, intangible assets, and long-lived asset impairment charges were recorded as \$458.9 million, partially offset by decreases in the related future tax liability of \$32.6 million. Consequently, the Company has reduced the balances of goodwill and intangible assets to nil as at December 31, 2008.

CONSOLIDATED ANNUAL FINANCIAL RESULTS

The following table summarizes key financial data to be read in conjunction with the audited financial statements of the Company as at and for the year ended December 31, 2008. Such financial statements are prepared in accordance with GAAP and are reported in Canadian dollars. All amounts are presented in millions of Canadian dollars except share data and per share amounts, unless otherwise stated.

	2008	% of Revenue	2007	% of Revenue	Increase (decrease)	% Change
Revenue	\$ 2,311.2	100.0%	\$ 1,813.8	100.0%	\$ 497.4	27.4%
Direct costs	1,948.4	84.3%	1,476.0	81.4%	472.4	32.0%
	362.8	15.7%	337.8	18.6%	25.0	7.4%
General and administrative expenses	166.2	7.2%	162.7	9.0%	3.5	2.2%
Amortization	69.8	3.0%	72.0	4.0%	(2.2)	(3.1%)
Stock based compensation expense	4.6	0.2%	4.7	0.3%	(0.1)	(2.1%)
Interest expense, net of interest income	19.9	0.9%	28.8	1.6%	(8.9)	(30.9%)
Adjusted earnings before income taxes	102.3	4.4%	69.6	3.8%	32.7	47.0%
Income taxes, current and future	33.3	1.4%	19.3	1.1%	14.0	72.5%
Adjusted net earnings	69.0	3.0%	50.3	2.8%	18.7	37.2%
per common share – basic	\$ 1.46		\$ 1.06		\$ 0.40	–
per common share – diluted	\$ 1.45		\$ 1.05		\$ 0.40	–
Impairment charge	458.9	19.9%	–	–	458.9	–
Future income taxes related to impairment	(32.6)	(1.4%)	–	–	(32.6)	–
Net (loss) earnings	(357.3)	(15.5%)	50.3	2.8%	(407.6)	–
per common share – basic	\$ (7.53)		\$ 1.06		\$ (8.59)	–
per common share – diluted	\$ (7.53)		\$ 1.05		\$ (8.58)	–
EBITDA	196.6	8.5%	175.1	9.7%	21.5	12.3%

Reconciliation of EBITDA	2008	2007
(Loss) earnings before income taxes	\$ (356.6)	\$ 69.6
Amortization	69.8	72.0
Impairment charge	458.9	–
Stock based compensation expense	4.6	4.7
Interest expense, net of interest income	19.9	28.8
EBITDA	\$ 196.6	\$ 175.1

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Highlights

The Company is a leader in the North American energy services sector and was successful in expanding upon its existing broad spectrum of services, placing its customers first, and building upon existing customer alliances. As a result of these efforts, increased revenues were experienced in every division as demand for the Company's services grew throughout fiscal 2008. For the year ended December 31, 2008, revenues were \$2,311.2 million, up from \$1,813.8 million in 2007 and representing an increase of \$497.4 million (27.4%).

EBITDA for the year ended December 31, 2008 was \$196.6 million, up from \$175.1 million (12.3%) in 2007. The increase in EBITDA is due to the increase in revenue during 2008. However, as a percentage of revenue, EBITDA slightly decreased from the prior year to 8.5% from 9.7%. The decrease in this percentage was the result of declines in the Company's gross margin percentage from the prior year, primarily due to changes in the Company's service mix. Increases in EBITDA occurred in every division, with the exception of Tubular Management and Manufacturing, which experienced a decline of \$13.5 million (41.5%). This decline occurred as a result of increased costs and an inventory write-down in Canada during part of the year, along with changing customer demands in the United States within the Tubular Management and Manufacturing segment, which required increased project engineering and start-up times. The Plant Maintenance and Other operating segment operates at lower EBITDA margins. Of the 1.2% decline in EBITDA, 0.42% was attributable to the growth in this segment.

The Company incurred a loss of \$357.3 million (\$7.53 per common share – diluted) during the year ended December 31, 2008 compared to realizing earnings of \$50.3 million (\$1.05 per common share – diluted) in 2007, for a net decrease of \$407.6 million. This decrease was the result of an impairment charge of \$458.9 million, which includes \$402.0 million of goodwill impairment, \$40.6 million of intangible assets impairment, and \$16.3 million of impairment on long-lived assets. This was partially offset by a future income tax reduction of \$32.6 million relating to the difference between the tax and book amortization of the goodwill and intangible assets.

Adjusted net earnings, which exclude the after-tax impairment charge, were \$69.0 million (\$1.45 per common share – diluted) compared to \$50.3 million (\$1.05 per common share – diluted) for 2007, representing an increase of \$18.7 million (37.2%).

Cash provided by operations before changes in non-cash working capital for the year ended December 31, 2008 was \$143.8 million, up by \$41.2 million (40.2%) from \$102.6 million in the prior year.

Revenue

The Production Services operating segment increased revenues by \$66.8 million (6.6%) from \$1,005.6 million in 2007 to \$1,072.4 million in 2008. This segment provides a range of support services for producing fields and, as a result, is less directly influenced by fluctuations in new drilling activity. In Canada, revenues decreased by \$4.5 million (0.7%) from the prior year to \$668.7 million as a result of lower activity in 2007 and throughout the first half of 2008, which reduced demand for these support services. These declines were offset by strong activity levels in the United States which, accompanied by a weakening of the Canadian versus the U.S. dollar, resulted in favourable increases in revenues upon translation into Canadian dollars. In the United States, revenues increased by 21.5% to \$403.7 million in 2008 from \$332.4 million in 2007. The Company anticipates revenue to decline in this segment in 2009 in correlation with industry activity.

In the Facility Infrastructure operating segment, revenues increased by \$158.7 million (37.5%) to \$582.0 million in 2008 from \$423.3 million in 2007. Ramp-up of work on the Shell Albion Sands and Suncor Firebag projects were the primary contributors to this increase. The Facility Infrastructure operating segment is focused on major facility project development services for large oil sands producers in the Fort McMurray region in Alberta and, therefore, is dependent on the expenditures of oil sands producers, which are primarily driven by the current and anticipated prices of crude oil and, secondarily, of natural gas (which is a key input to oil sands operations). Recent commodity price declines have resulted in reduction in capital expenditures by some of this segment's customers for fiscal 2009. As a result, the Company anticipates revenue declines in this segment from 2008 as certain projects are delayed.

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Revenues increased by \$245.7 million to \$303.4 million in the Plant Maintenance and Other operating segment as a result of significant growth in Flint's 50% joint venture, Flint Transfield Services Ltd. ("FT Services"). FT Services was formed in late 2006, and was still an early-stage company in 2007. FT Services had a ramp up of work on the Canadian Natural (CNQ) maintenance contract, and commencement of maintenance services on Suncor's Sarnia, Ontario refinery in August 2008, which were both key contributors to the revenue expansion in the current year. This is in addition to the growth in the maintenance services provided by FT services to Suncor's oil sands facilities in Fort McMurray. FT Services continues to look for opportunities to expand upon its existing maintenance contracts and the Company sees great potential for revenue growth in 2009 and beyond.

Moderate increases in revenue were also recognized in the Oilfield Transportation and Tubular Management and Manufacturing operating segments, totalling \$26.2 million (8.0%) over the prior year. The Oilfield Transportation operating segment derives the majority of its revenues from transportation of oversized, overweight, and module hauling services throughout western Canada and is directly influenced by the amount of capital spending the Company's customers commit to. Due to recent declines in the price of oil, certain projects throughout western Canada have been cancelled or delayed, a trend that is anticipated to reduce the demand for services in this operating segment in 2009. Tubular Management and Manufacturing provides tubular management services throughout Canada and the United States, including inspection and repair, machining, design, and fabrication.

Direct Costs and Gross Margin

Direct costs for the year ended December 31, 2008 were \$1,948.4 million compared to \$1,476.0 million in 2007. Gross margin (percentage) in 2008 was \$362.8 million (15.7%), representing an increase of \$25.0 million (7.4%) from \$337.8 million (18.6%) in the prior year. The increases in direct costs and gross margin are directly attributable to the increase in revenues and overall activity previously discussed. Increased activity in the Facility Infrastructure and Plant Maintenance and Other operating segments, which typically operate at lower gross margins, accompanied by decreased margins in the Production Services operating segment, as a result of increases in the cost of fuel and labour, contributed to a decline in the gross margin percentage in the current year.

The following table summarizes gross margin (percentage) by operating segment:

(in thousands of Canadian dollars)	2008	Gross Margin %	2007	Gross Margin %	Change in %
Production Services	\$ 207,874	19.4%	\$ 202,916	20.2%	(0.8%)
Canada	122,174	18.3%	136,655	20.3%	(2.0%)
United States	85,700	21.2%	66,261	19.9%	1.3%
Facility Infrastructure	68,454	11.8%	53,636	12.7%	(0.9%)
Oilfield Transportation	25,419	16.1%	23,645	17.3%	(1.2%)
Tubular Management and Manufacturing	38,461	19.6%	51,205	26.9%	(7.3%)
Plant Maintenance and Other	22,574	7.4%	6,368	11.0%	(3.6%)
Total	\$ 362,782	15.7%	\$ 337,769	18.6%	(2.9%)

The gross margin percentage in the Facility Infrastructure segment was 11.8% in 2008 compared to 12.7% for 2007. The gross margin in the Production Services segment of 19.4% in 2008 was a decrease of 0.8% from 20.2% in 2007. This decrease was a result of higher labour and fuel costs and the One Ok pipeline project in U.S., which was severely impacted by weather and resulted in an operating loss on the project.

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Gross margin in the Oilfield Transportation segment was 16.1% in 2008 compared to 17.3% for 2007. Cost increases and a highly competitive landscape resulting from weakened demand drove declines in margins. The Tubular Management and Manufacturing operating segment also experienced a decline in margins from 26.9% in 2007 to 19.6% in 2008 as the Company marked down its inventory to net realizable value.

The Company anticipates that the restructuring of operations, accompanied by a focused effort to manage direct costs, will help maintain the gross margin percentage in the upcoming year. The Company has implemented a rollback of wages for hourly employees and salaries for supervisory staff as a measure to control costs in anticipation of reduced activity and workload in 2009.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2008 were \$166.2 million compared to \$162.7 million in 2007, representing an increase of \$3.5 million (2.2%). As a percentage of revenue, however, general and administrative expenses decreased to 7.2% from 9.0% year-over-year. This decline was the result of efforts made during the year to reduce general and administrative expenses with the objective to improve EBITDA margins and increase operating efficiencies in these uncertain economic times. In addition, in the first half of fiscal 2008, general and administrative expenses were lower as a result of the Company being understaffed in certain areas. As the Company filled these positions throughout the year, salaries and benefit costs increased in the third and fourth quarters.

In 2009, in certain segments, the Company anticipates that general and administrative expenses will increase in dollar terms and as a percentage of revenue over the prior year as a result of the growth in staffing levels in the latter half of 2008. Most notably, the Company anticipates additions in information technology to support increasing system requirements as certain operations are converted to its Enterprise Resource Planning, ("ERP"), JD Edwards, and partially, related to the Company's International Financial Reporting Standards ("IFRS") convergence project, and lastly for the consolidation of administration and support services as part of the restructuring. These costs are considered temporary and will be somewhat offset by the suspension of the 2009 annual pay increases for executives, management, and salaried employees. In addition, the Company has implemented salary rollbacks and unpaid leave for salaried employees, and selective layoffs of administrative staff as additional cost control measures.

EBITDA

The following table summarizes EBITDA by operating segment and geographic location:

(in thousands of Canadian dollars)	2008	EBITDA %	2007	EBITDA %	Change in %
Production Services	\$ 112,086	10.5%	\$ 104,484	10.4%	0.1%
Canada	65,777	9.8%	68,563	10.2%	(0.4%)
United States	46,309	11.5%	35,921	10.8%	0.7%
Facility Infrastructure	41,936	7.2%	30,696	7.3%	(0.1%)
Oilfield Transportation	3,650	2.3%	3,020	2.2%	0.1%
Tubular Management and Manufacturing	19,047	9.7%	32,560	17.1%	(7.4%)
Plant Maintenance and Other	19,837	6.5%	4,323	7.5%	(1.0%)
Total	\$ 196,556	8.5%	\$ 175,083	9.7%	(1.2%)

Overall EBITDA margins declined from 9.7% in 2007 to 8.5% in 2008 as a result of a shift in mix to higher revenues from the Plant Maintenance and Other segment, which generates lower margins even as most segments experienced higher EBITDA margins.

Production Services EBITDA increased slightly year-over-year from 10.4% to 10.5% primarily due to very strong activity in the fourth quarter of 2008. Oilfield Transportation's EBITDA was 2.3%, up from 2.2% in fiscal 2007. Tubular Management and Manufacturing had a decline in its EBITDA from 17.1% to 9.7% year-over-year as a result of lower earnings in the first half of 2008.

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Impairment Charge

During the year ended December 31, 2008, the Company incurred an impairment charge of \$458.9 million (2007 – \$nil) which includes \$402.0 million of goodwill impairment, \$40.6 million impairment of intangible assets, and \$16.3 million of impairment on property, plant, and equipment.

A break-down of the impairment charge for the year ended December 31, 2008 is as follows:

Reconciliation of impairment charge	2008	2007
Impairment of goodwill	\$ 402.0	\$ –
Impairment of intangible assets	40.6	–
Impairment of property, plant, and equipment	16.3	–
Total impairment charge	\$ 458.9	\$ –

Amortization

Amortization of property, plant, and equipment and intangible assets for the year ended December 31, 2008 was \$69.8 million compared to \$72.0 million in 2007. The year-over-year decrease of \$2.2 million (3.1%) was due to the impairment charge on intangible assets and property, plant, and equipment, which reduced amortization expense on these assets in the fourth quarter by \$2.2 million. Amortization expense on property, plant, and equipment was up slightly by \$0.4 million (0.6%) year-over-year as a result of capital asset purchases made in each year of \$51.0 million and \$80.5 million, respectively.

Stock Based Compensation Expense

Stock based compensation expense decreased by \$0.1 million (2.1%) to \$4.6 million in 2008 from \$4.7 million in the prior year. Reductions in the number of options granted in the current year from the prior year accompanied by reductions in the fair value of stock options granted for stock based compensation expense resulted in this decline. The fair value of the stock options granted during the current year decreased primarily as a result of reductions in the Company's share price, impacting the exercise price of the options. In addition, reductions in interest rates during the year as a result of changes in current economic conditions reduced the risk-free rate which was used in the computation of fair value under the Black-Scholes option pricing model. As the Company recognizes stock based compensation expense over the vesting period of the option, the declines in these estimates in the current period will reduce stock based compensation in future periods.

Interest Expense

Interest expense for the fiscal year ending December 31, 2008 decreased by \$8.9 million (30.9%) from \$28.8 million in the prior year to \$19.9 million. Interest expense for 2008 includes \$5.5 million of an interest recovery relating to a negotiated settlement with Quebec taxation authorities from reassessments dating back to 2006. In fiscal 2007, \$1.3 million of interest relating to these tax reassessments was included in interest expense. In 2007, an unrealized gain of \$1.4 million was included in interest expense for foreign currency debt issued under the Company's Credit Agreement. Fair value changes on interest rate swaps totalled a loss of \$0.7 million in 2008 (2007 – \$nil). Excluding these items, interest expense decreased by \$5.9 million (20.4%) from fiscal 2007 as a result of reductions in the average long-term debt balance during the year.

Income Taxes

Income tax expense for the year ended December 31, 2008 was \$0.6 million compared to \$19.3 million in 2007. In the current year, income tax expense includes \$3.2 million of tax recoveries related to the Quebec tax settlement. In addition, income tax expense for the current year includes \$32.6 million of recoveries relating to the difference between the tax and book amortization of goodwill, intangible assets, and property, plant and equipment included in impairment charge. Excluding these items, income tax expense increased by \$17.1 million (88.5%) over the prior year. This increase relates to changes in losses carried forward in the Oilfield Transportation operating segment, differences between the accounting and tax value of capital assets, and an increase in income generated in the Facility Infrastructure operating segment, of which a portion is not taxed until 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of Canadian dollars except share data,
per share amounts and stock option exercise prices or unless otherwise stated)

CONSOLIDATED FINANCIAL POSITION

The following table summarizes the Company's consolidated financial position at December 31, 2008:

	2008	2007	Increase (decrease)	% Change
Current assets	\$ 633.5	\$ 578.5	\$ 55.0	9.5%
Current liabilities	320.4	254.0	66.4	26.1%
Net working capital	313.1	324.5	(11.4)	(3.5%)
Long-term debt	310.5	368.5	(58.0)	(15.7%)
Current	60.3	16.0	44.3	276.9%
Non-current	250.2	352.5	(102.3)	(29.0%)
Total assets	1,088.9	1,494.9	(406.0)	(27.2%)
Total liabilities	606.7	670.6	(63.9)	(9.5%)
Days sales outstanding (DSO)	87	103	(16)	(15.5%)

Highlights

As at December 31, 2008, the Company's net working capital was \$313.1 million compared to \$324.5 million at December 31, 2007, a decrease of \$11.4 million (3.5%). The decrease in working capital is primarily attributable to an increase in the current portion of long-term debt over the prior year. The Company's revolving operating loan, of which the earliest date principal could be due is November 30, 2009, is presented as current long-term debt, which resulted in the increase. At December 31, 2008 the revolving operating loan was \$40.9 million, representing a decrease of \$69.2 million (62.9%) from 2007. Excluding the revolving operating loan, net working capital has increased \$29.5 million (9.1%) over the prior year.

During the year, the Company made concerted efforts to improve the effectiveness of billings and collections, which have resulted in significant decreases in revenue in excess of billings and improvements in the aging of the Company's trade receivables. Revenue in excess of billings for the year ended December 31, 2008 was \$169.7 million, a decrease of \$64.6 million (27.6%) from \$234.3 million at the end of 2007. Accounts receivable increased by \$114.7 million (48.5%) to \$351.2 million at the end of 2008, up from \$236.6 million at the end of 2007 as a result of the Company's increased revenues and improvements in the Company's billing process. The aging of accounts receivable as at December 31, 2008 significantly improved with only 14.4% of trade receivables outstanding greater than 60 days, down from 29.6% at the end of 2007. The Company anticipates seeing continued improvements in its billing and collection processes as additional efficiencies are created during the restructuring of operations.

With the improvements in the Company's billing and collections processes, the Company was able to significantly reduce long-term debt during the year. Long-term debt, including operating facilities, was \$310.5 million at December 31, 2008 representing a decrease of \$58.0 million (15.7%) from December 31, 2007. This decrease is comprised of the increase in the current portion of long-term debt of \$44.3 million previously discussed, and a decrease in the non-current portion of long-term debt of \$102.3 million from the prior year-end.

DSO for the year ended December 31, 2008 was 87 days compared to 103 days at the end of December 31, 2007. DSO fluctuates throughout the year due to the timing of client milestone billings and pre-payments from the Company's clients; however, improving the Company's cash generating ability is a priority given uncertainties in the current economic environment.

Assets

Consolidated total assets decreased by \$406.0 million (27.2%) to \$1,088.9 million at December 31, 2008 from \$1,494.9 million at December 31, 2007. The decrease in total assets is due to the impairment charge on goodwill, intangible assets, and property, plant, and equipment of \$458.9 million.

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(in millions of Canadian dollars except share data,
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Cash decreased by \$30.9 million (95.7%) to \$1.4 million at December 31, 2008 from \$32.3 million at the end of 2007. While funds provided by operations before changes in non-cash working capital increased by \$41.2 million (40.2%) to \$143.8 million in 2008 from \$102.6 million in 2007, surplus cash generated in Canada and the United States was used to decrease the balance of long-term debt and to repurchase shares under the NCIB, which resulted in the significant decline in cash from the prior year.

As previously discussed, accounts receivable and revenues in excess of billings cumulatively increased by \$50.0 million (10.6%) to \$520.9 million at the end of 2008 from \$470.9 million at the end of 2007. The increase primarily resulted from higher activity levels in the fourth quarter of 2008 than in the comparable 2007 quarter.

Inventory levels increased by \$20.7 million (40.4%) to \$72.0 million at December 31, 2008 from \$51.3 million at the end of the prior year, primarily due to an increase in work-in-progress and finished goods inventory in the United States for customer orders to be shipped during the first quarter of 2009. In addition, the weakening of the Canadian versus the United States currency during the year contributed to this increase upon translation of these amounts into Canadian dollars. Of the increase, \$5.9 million is the result of the change in foreign exchange rates over the year.

Property, plant and equipment decreased by \$27.5 million (6.0%) to \$433.1 million at December 31, 2008 from \$460.6 million at the end of the prior year. As part of the annual impairment test of long-lived assets, conducted in the fourth quarter, construction and other equipment was identified as having a net book value in excess of its net realizable value. As a result, an impairment charge of \$16.3 million was recognized during the period. Capital asset purchases during the year decreased to \$51.0 million from \$80.5 million in 2007, which was offset by amortization of \$62.7 million during the year contributing to the decline in property, plant, and equipment. As part of the Company's efforts to improve the utilization of its balance sheet, the Company continued monitoring the usage rates of equipment to identify items that are under-utilized for potential sale or internal transfer. As a result of this, the Company reduced capital expenditures during the current year and commenced selling of under-utilized equipment. Capital expenditure levels for 2009 are anticipated to remain similar to levels experienced in fiscal 2008.

As at December 31, 2008, the Company has no remaining goodwill or intangible assets as a result of an impairment charge recorded during the year. Given the current economic slowdown, and volatility of the markets for the Company's products and services, it was determined that the full amount of these items should be reduced to nil. In determining the impairment charge, the Company used its best estimates of future sales, operating costs, foreign exchange rates and an appropriate discount rate to apply.

Liabilities

Consolidated total liabilities decreased by \$63.9 million to \$606.7 million at December 31, 2008 from \$670.6 million at December 31, 2007, primarily as a result of a decrease in future income tax liabilities, and a decrease in long-term debt. The current future tax liability decreased due to the impairment charge recorded during the period.

Long-term debt, including the current portion, decreased by \$58.0 million (15.7%) to \$310.5 million at December 31, 2008 from \$368.5 million at the end of 2007. The Company has provided a first charge over all assets under a general security agreement as security for the revolving operating loans and the term loans. Also the Company has provided a general assignment of book debts and a first charge over all real property assets, has pledged all shares of its subsidiaries, and has made an assignment of insurance for security. The credit facilities require the Company to meet certain covenants. The Company was in compliance with these covenants at December 31, 2008 and 2007.

Equity

During the year ended December 31, 2008, 1,732,300 common shares were repurchased and cancelled pursuant to the Company's NCIB for a total expenditure of \$19.1 million. As a result, the average carrying value of \$21.0 million was allocated as a reduction to share capital, \$4.7 million representing the consideration below stated value was charged to contributed surplus, and \$2.8 million representing the consideration in excess of stated value was charged to retained earnings during the period. The remaining change in share capital of \$6.1 million was the result of 360,364 stock options exercised during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of Canadian dollars except share data,
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CONSOLIDATED FOURTH QUARTER FINANCIAL RESULTS

The following tables summarize key financial data for the three months ended December 31, 2008:

For the three months ended December 31	2008	2007	Increase (decrease)	% Change
Revenue	\$ 678.2	\$ 465.0	\$ 213.2	45.8%
Direct costs	575.5	392.0	183.5	46.8%
	102.7	73.0	29.7	40.7%
General and administrative expenses	45.4	38.7	6.7	17.3%
Amortization	16.6	18.6	(2.0)	(10.8%)
Stock based compensation expense	1.1	0.9	0.2	22.2%
Interest expense, net of interest income	4.9	7.9	(3.0)	(38.0%)
Adjusted earnings before income taxes	34.7	6.9	27.8	402.9%
Income taxes, current and future	12.6	(2.7)	15.3	(568.3%)
Adjusted net earnings	22.1	9.6	12.5	129.8%
per common share – basic	\$ 0.47	\$ 0.20	\$ 0.27	
per common share – diluted	\$ 0.47	\$ 0.21	\$ 0.26	
Impairment charge	268.6	–	268.6	–
Future income taxes related to impairment	(22.0)	–	(22.0)	–
Net (loss) earnings	(224.5)	9.6		
per common share – basic	\$ (4.78)	\$ 0.20	\$ (4.98)	–
per common share – diluted	\$ (4.78)	\$ 0.21	\$ (4.99)	–
EBITDA	\$ 57.3	\$ 34.3	\$ 23.0	67.1%

Highlights

During the three months ended December 31, 2008, the Company incurred a net loss of \$224.5 million compared to net earnings of \$9.6 million in the comparative quarter in 2007, a decrease of \$234.1 million. The net loss was the result of the after-tax impairment charge of \$246.6 million being recorded during the quarter on goodwill, intangible assets, and property, plant, and equipment. Adjusted net earnings, excluding the after-tax impairment charge, were \$22.1 million, an increase of \$12.5 million (129.8%) over the comparative quarter. Diluted loss per share for the fourth quarter was \$4.78, while adjusted diluted earnings per share was \$0.47 for the quarter.

Revenues for the three months ended December 31, 2008 were \$678.2 million compared to \$465.0 million in the 2007 fourth quarter, an increase of \$213.2 million (45.8%), as a result of growth in every division over the prior year's quarter.

Funds provided by operations before changes in non-cash working capital for the three months ended December 31, 2008 was \$43.3 million compared to \$14.6 million in the prior year's quarter. This increase is directly attributable to the increase in adjusted net earnings.

General and administrative expenses in the three months ended December 31, 2008 were \$6.7 million (17.3%) above the prior year's fourth quarter. General and administrative expenses increased as a result of overall expansion of the Company, including larger staffing levels, which increased salary and benefit costs in the quarter.

Amortization of property, plant and equipment and intangible assets of \$16.6 million in the fourth quarter of 2008 is \$2.0 million (10.8%) lower than for the same period in 2007. A portion of the impairment charge recorded in the third and fourth quarters of 2008 included impairment of intangible assets and property, plant, and equipment, which reduced the amortization of these assets during the fourth quarter of 2008 as compared to the 2007 period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Interest expense was \$4.9 million in the fourth quarter of 2008, a decrease of \$3.0 million (38.0%) from \$7.9 million in the fourth quarter of 2007. A reduction in the average outstanding long-term debt for the quarter resulted in this decline.

Included in income tax expense in the fourth quarter of 2008 is \$22.0 million of future income tax recoveries relating to the goodwill, intangible asset, and property, plant, and equipment impairment charge.

Selected financial information for each reportable business segment for the fourth quarter is as follows:

(in thousands of Canadian dollars)
for the three months ended December 31

	2008		2007	
Revenue by operating segment				
Production Services	\$ 301,838	45%	\$ 231,400	50%
Facility Infrastructure	193,459	29%	120,480	26%
Oilfield Transportation	40,147	6%	31,800	7%
Tubular Management and Manufacturing	55,233	8%	41,944	9%
Plant Maintenance and Other	87,479	12%	39,419	8%
Total	\$ 678,156	100%	\$ 465,043	100%
EBITDA by operating segment				
Production Services	\$ 38,141	66%	\$ 20,069	59%
Facility Infrastructure	7,425	13%	4,800	14%
Oilfield Transportation	1,637	3%	41	–
Tubular Management and Manufacturing	4,562	8%	5,989	17%
Plant Maintenance and Other	5,580	10%	3,403	10%
Total	\$ 57,345	100%	\$ 34,303	100%

Quarterly Information

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 678.2	\$ 585.8	\$ 531.7	\$ 515.6	\$ 465.0	\$ 424.3	\$ 421.8	\$ 502.7
Adjusted net earnings	22.1	16.7	11.8	18.4	9.6	12.2	6.3	22.2
per common share – basic	\$ 0.47	\$ 0.35	\$ 0.25	\$ 0.38	\$ 0.20	\$ 0.26	\$ 0.13	\$ 0.47
per common share – diluted	\$ 0.47	\$ 0.35	\$ 0.25	\$ 0.38	\$ 0.21	\$ 0.25	\$ 0.13	\$ 0.46
Net (loss) earnings	(224.5)	(163.2)	11.8	18.4	9.6	12.2	6.3	22.2
per common share – basic	\$ (4.78)	\$ (3.41)	\$ 0.25	\$ 0.38	\$ 0.20	\$ 0.26	\$ 0.13	\$ 0.47
per common share – diluted	\$ (4.78)	\$ (3.41)	\$ 0.25	\$ 0.38	\$ 0.21	\$ 0.25	\$ 0.13	\$ 0.46

A number of factors contribute to variations in the Company's results between periods. These include, but are not limited to weather, customer capital spending, as well as drilling programs which are affected by oil and natural gas commodity prices, and seasonal behaviours in customer spending caused by activities such as plant shutdown work. The Company continues working to create what it considers the optimum portfolio of services to meet its customers' needs and maximize shareholder returns.

Certain of the Company's business lines relate to the maintenance and operation of oilfield facilities, which generally produce consistent revenues, while other business lines relate to large projects, potentially resulting in fluctuating revenue streams

MANAGEMENT'S DISCUSSION AND ANALYSIS

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over time. While a significant amount of the business activity, related to the maintenance and operation of oilfield facilities, is under long-term contract, the work is still primarily call-out related and provided on an as-needed basis and, therefore, does not generate a consistent revenue stream between periods. The Oilfield Transportation and Tubular Management and Manufacturing operating segments' primary business drivers are related to the drilling cycle in the Western Canadian Sedimentary Basin, while the specialized heavy haul operation, included as part of the Oilfield Transportation business segment, will have more specific business drivers related to the movement of large pieces of equipment and module components of construction projects.

As the Company has United States operations, the consolidated financial results may vary between periods due to the effect of foreign exchange fluctuations in translating the revenues and expenses of its United States operations to Canadian dollars. During the year ended December 31, 2008, 22.5% (2007 – 25.0%) of the Company's business activity was in the United States.

ANNUAL RESULTS OF OPERATIONS

Selected financial information for each reportable business segment is as follows:

(in thousands of Canadian dollars)	2008		2007	
Revenue by operating segment				
Production Services	\$ 1,072,444	47%	\$ 1,005,645	55%
Facility Infrastructure	582,047	25%	423,298	23%
Oilfield Transportation	157,484	7%	136,654	8%
Tubular Management and Manufacturing	195,794	8%	190,473	11%
Plant Maintenance and Other	303,438	13%	57,732	3%
Total	\$ 2,311,207	100%	\$ 1,813,802	100%
EBITDA by operating segment				
Production Services	\$ 112,086	57%	\$ 104,484	59%
Facility Infrastructure	41,936	21%	30,696	18%
Oilfield Transportation	3,650	2%	3,020	2%
Tubular Management and Manufacturing	19,047	10%	32,560	19%
Plant Maintenance and Other	19,837	10%	4,323	2%
Total	\$ 196,556	100%	\$ 175,084	100%

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of Canadian dollars except share data,
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PRODUCTION SERVICES

The Production Services business segment provides pipeline work, day-to-day field facility installation and maintenance services, as well as electrical, instrumentation, mechanical, safety, pressure and vacuum, fluid hauling, plant shutdown and turnaround services.

Selected financial information for each geographic location in this business segment is as follows:

(in thousands of Canadian dollars)	2008	2007	Increase (decrease)	% Change
Revenue by geographic location				
Canada	\$ 668,726	\$ 673,234	\$ (4,508)	(0.7%)
United States	403,718	332,411	71,307	21.5%
Total	\$ 1,072,444	\$ 1,005,645	\$ 66,799	6.6%
EBITDA by geographic location				
Canada	\$ 65,777	\$ 68,563	\$ (2,786)	(4.1%)
United States	46,309	35,921	10,388	28.9%
Total	\$ 112,086	\$ 104,484	\$ 7,602	7.3%

Revenue

Revenue from the Production Services business segment for the year ended December 31, 2008 increased by 6.6% to \$1,072.4 million from \$1,005.6 million in 2007. In Canada, revenues decreased by \$4.5 million (0.7%) from the prior year to \$668.7 million as a result of lower drilling activity in 2007 and throughout the first half of 2008, which reduced demand for these support services. These declines were offset by strong activity levels in the Texas and Rocky Mountain regions of the United States which, accompanied by a weakening of the Canadian versus the United States dollar, resulted in favourable increases in revenues upon translation into Canadian dollars. In the United States, revenues increased by 21.5% to \$403.7 million from \$332.4 million in the comparative year. The Company anticipates revenue to decline in this segment in 2009 in correlation with industry activity.

EBITDA

Production Services' EBITDA increased by 7.3% to \$112.1 million in 2008 from \$104.5 million in 2007. In Canada, EBITDA margins were down by \$2.8 million or 4.1% from the prior year as a result of the lower activity levels previously discussed and overall lower gross margins caused by cost increases in fuel and labour. In the United States, EBITDA increased by \$10.4 million (28.9%) to \$46.3 million in 2008 from \$35.9 million in the prior year. As a percentage of revenue, EBITDA in the United States increased to 11.5% in 2008, up from 10.8% in the prior year.

FACILITY INFRASTRUCTURE

The Facility Infrastructure business segment provides major facility project development services to the energy and natural resources sector, providing a full-cycle approach to all phases of project development from concept and design to fabrication and installation. Customer capital expenditure programs related to large oil sands projects have a significant effect on the results of this business segment by impacting activity levels. Margin, as a percentage of revenue, can also fluctuate based on the contractual terms of major projects and their overall weighting to the total revenue earned in any given period, fluctuation in activity levels, and the ability of the Company to average fixed operating costs related to fabrication facilities and field construction management overheads.

Revenue

Revenue from the Facility Infrastructure business segment for the year ended December 31, 2008 increased by 37.5% to \$582.0 million from \$423.3 million in fiscal 2007. The increase in revenue was primarily due to the ramp-up of the Shell Albian Sands and Suncor Firebag projects.

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EBITDA

Facility Infrastructure's EBITDA increased by 36.6% to \$41.9 million for the year ended December 31, 2008 from \$30.7 million for the prior year. EBITDA as a percentage of revenue was 7.2% in 2008 compared to 7.3% in the prior year.

OILFIELD TRANSPORTATION

The Oilfield Transportation business segment includes activities focused on specialized hauling such as drilling rig moving, heavy hauling, service rig moving and light hauling.

Revenue

During the year ended December 31, 2008, revenue was \$157.5 million. This was an increase of 15.2% from \$136.7 million in the prior year. Increased activity accompanied by rate increases on new projects and bid contracts contributed to the increased revenue.

EBITDA

Oilfield Transportation's EBITDA for the year ended December 31, 2008 increased to \$3.7 million from \$3.0 million during 2007, which was an improvement of \$0.7 million. The increase in EBITDA was directly attributable to the increased activity levels previously discussed as EBITDA as a percentage of revenue remained relatively stable in comparison to the prior year.

TUBULAR MANAGEMENT AND MANUFACTURING

The Tubular Management and Manufacturing business segment includes operations in Canada and the United States. In Canada operations include inspection, threading and refurbishment of drill pipe, pipe storage facilities, and manufacturing of polyethylene pipe. In the United States, operations include the manufacture of natural gas processing and measurement equipment.

Revenue

Revenue for the year ended December 31, 2008 was \$195.8 million, up by 2.8% from \$190.5 million in the prior year. In Canada, revenue increased by \$10.1 million to \$82.9 million in 2008 from \$72.8 million in 2007. Increases were primarily a result of an overall increase in activity. In the United States, revenues decreased by \$4.8 million to \$112.9 million in 2008 from \$117.7 million in 2007. Decreases were from a slowdown in activities during the last part of the fourth quarter.

EBITDA

Tubular Management and Manufacturing's EBITDA decreased by 41.5% to \$19.0 million for the year ended December 31, 2008 from \$32.6 million in 2007. The decrease was a result of the higher costs and an inventory write-down in Canada. In the United States changing customer demands requiring increased project-specific engineering and longer start-up times impacted margins, as compared to the longer product runs on uniform equipment experienced in 2007.

PLANT MAINTENANCE AND OTHER

The Plant Maintenance and Other business segment provides delivery of sophisticated asset management services for all routine plant maintenance and turnaround services for oil sands production facilities in Alberta, as well as oil refineries and related chemical, energy, electrical and processing plants. This work is performed through a 50% owned joint venture company, FT Services. Also included in this business segment is the proportional share of two other joint venture companies: Mackenzie Valley Construction, with a base operation in Inuvik, Northwest Territories; and SRP North Ventures, with a base operation in Norman Wells, Northwest Territories. These joint venture companies provide a variety of services including maintenance and logistical services.

Revenue

Revenue for the year ended December 31, 2008 increased to \$303.4 million from \$57.7 million for fiscal 2007. The most significant reason for the increase was the continued work performed by FT Services for Suncor and for CNQ's continuing maintenance agreement. FT Services was still an early stage company in 2007 and the ramp-up of the business was a key contributor to the revenue expansion.

EBITDA

Plant Maintenance and Other's EBITDA increased to \$19.8 million in 2008 from \$4.3 million in 2007. The significant increase in revenue in this segment contributed to the increased EBITDA. EBITDA as a percentage of revenue was 6.5%, down from 7.5% in the prior year as a result of some of the increased overall activity being executed at lower margins.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2008, the Company had \$1.4 million in cash and cash equivalents. The Company's principal sources of capital are cash flows from operations and borrowings under its senior credit facility. The Company's principal uses of cash are for the financing of working capital and capital expenditures.

Selected cash flow and capitalization data is as follows:

	2008	2007
Funds provided by operations before changes in non-cash working capital	\$ 143.8	\$ 102.6
Cash provided by operating activities	88.7	92.5
Cash flow to interest-bearing debt (annualized) ratio	46.3%	27.8%
Long-term debt (including current portion)	310.4	368.5
Debt to total capitalization ratio	39.2%	30.9%
Debt to total capitalization ratio, excluding impairment charge	25.5%	30.9%

Cash Flow and Liquidity

Cash provided by operating activities for the year ended December 31, 2008 was \$88.7 million compared to \$92.5 million for 2007. The slight decrease in cash provided by operating activities was the result of fluctuations in non-cash balances related to operations during the year, primarily from the first quarter of fiscal 2008.

Cash flows used in investing activities for the year ended December 31, 2008 decreased to \$37.7 million from \$79.5 million for 2007. The decrease of \$41.8 (52.6%) from the prior year was due to reductions in the Company's net capital expenditures and payments on business combinations during the year. During the year ended December 31, 2008, the Company incurred net capital expenditures of \$35.9 million, compared to \$66.3 million in 2007. The majority of these expenditures were to replace equipment in Canada and the United States in order to maintain operational capacity and meet customer needs in new areas. Included in net capital expenditures during the year ended December 31, 2008 are \$15.0 million of proceeds on disposal of property, plant and equipment compared to \$14.2 million in 2007. The reduction of capital expenditures from the prior year was part of the Company's efforts to improve the utilization of the Company's balance sheet. Under-utilized equipment was identified during the year for sale or internal transfer, which reduced the need to incur additional capital expenditures. In the prior year, the Company incurred costs of \$13.1 million related to payments on business combinations for Transco Energy Services Ltd., Pro Safe Safety and Rescue Ltd., and Denmark Energy Services Ltd. In the current year, no acquisitions occurred; however, \$1.7 million of payments related to Denmark Energy Services Ltd. were made to settle the outstanding portions of notes payable and retention bonuses associated with the business combination.

Cash flows used in financing activities for the year ended December 31, 2008 were \$91.3 million compared to cash flows provided by financing activities of \$9.9 million for 2007. Included in financing activities is \$19.1 million of expenditures relating to shares repurchased under the NCIB. In addition, the Company made net repayments of \$72.4 million in fiscal 2008 compared to net advances of \$9.5 million on long-term debt in 2007, which were the two primary contributors of the decline.

The Company uses the cash flow to interest-bearing debt ratio and the debt to total capitalization ratio as key indicators of the Company's leverage and to monitor the strength of the Company's balance sheet. The cash flow to interest-bearing debt ratio improved to 46.3% in 2008 from 27.8% in the prior year. Strong performance in the Company's funds provided by operations before changes in non-cash working capital and significant reductions in the Company's long-term debt balance over the prior year resulted in the improvement in this ratio. The debt to total capitalization ratio worsened to 39.2% at year-end 2008 from 30.9% in the prior year-end, primarily as a result of significant reductions in the Company's equity as a result of the after-tax impairment charge of \$426.3 million recorded during the year. Excluding the impact of the impairment charge, the debt to total capitalization ratio declined by 5.4% to 25.5% at year-end 2008.

In these uncertain economic times, the Company is closely monitoring its cash-generating ability and has focused efforts upon improving its billings and collections processes, in addition to reducing its long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of Canadian dollars except share data,
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Capital Requirements and Capitalization

At December 31, 2008 the Company had obligations to repay within one year \$60.8 million (2007 – \$16.7 million) of long-term debt which includes \$3.1 million (2007 – \$3.4 million) of capital lease payments for vehicles, office equipment, premises and construction equipment. In addition, the Company has operating lease obligations of \$62.3 million in 2008, up from \$40.0 million in fiscal 2007. The Company projects capital expenditures in 2009 to be below the levels made in fiscal 2008 due to the anticipated slowdown in certain segments. Capital expenditures are necessary to replace construction equipment, heavy trucks and vehicles as they near the end of their useful lives and when it becomes less economical to continue operating the units due to increasing maintenance costs. Although these capital expenditures may be necessary to achieve operating efficiencies, the Company has no obligation to incur them.

Debt Repayment Obligations

The following table presents the Company's future payment obligations:

Maturity	< 1 year	1 – 3 years	3 – 5 years	> 5 years	Total
Long-term debt	\$ 60.8	\$ 164.3	\$ 86.6	\$ –	\$ 311.7
Operating leases	62.3	86.3	40.2	–	188.8
Total contractual obligations	\$ 123.1	\$ 250.6	\$ 126.8	\$ –	\$ 500.5

RESULTS OF RESTRUCTURED OPERATIONS

On January 7, 2009, the Company announced a restructuring of its business segments, as part of the process to streamline operations. The Company will begin reporting on the new structure, which consists of four operating segments, commencing in 2009. The new segments are: Production Services, Facility Infrastructure, Oilfield Services, and Maintenance Services.

Production Services operating segment, which now includes the previous Tubular Management and Manufacturing segment, remains focused on midstream oil and gas field production services. These services encompass: fabrication, construction and maintenance of production facilities, mid-inch pipelines, production equipment; mid-sized construction management; inspection, repair and refurbishing of production tubing, drill pipe, sucker rods, casing, small-diameter pipelines and polyethylene pipe and liners.

Facility Infrastructure operating segment, which includes Flint's oil sands construction activities, remains unchanged and provides construction management, modular fabrication, and field construction services on major construction projects primarily in Edmonton and Fort McMurray, Alberta.

Oilfield Services operating segment now combines the Fluid Haul Services business unit previously reported in Production Services with the previous Oilfield Transportation segment. This new segment will provide drill rig and service rig moving; module, equipment and specialty hauling; fluid handling, pressure and vacuum services; industrial and chemical cleaning; and coiled tubing and flush-by services.

Maintenance Services operating segment remains unchanged, and consists of the three joint ventures: FT Services, Mackenzie Valley Construction, and SRP North Ventures.

The Company allocates resources based on revenue and evaluates performance of operating segments based on EBITDA. The accounting policies for each of these business segments are the same as those described in the summary of significant accounting policies and practices in Note 1 of the audited consolidated financial statements for the year ended December 31, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(in millions of Canadian dollars except share data,
per share amounts and stock option exercise prices or unless otherwise stated)

Selected financial information for the new business segments is as follows:

(in thousands of dollars) Year ended December 31, 2008	Production Services	Facility Infrastructure	Oilfield Services	Maintenance Services	Total
Revenue	\$1,146,909	\$ 582,047	\$278,813	\$303,438	\$2,311,207
EBITDA	110,711	41,936	24,072	19,837	196,556
Amortization	32,648	11,352	24,563	1,213	69,776
Capital expenditures	28,051	7,605	12,058	5,429	53,143
Additions (reductions) to goodwill	(202,089)	(28,900)	(165,262)	–	(396,250)
Goodwill	–	–	–	–	–
Total assets	\$ 514,290	\$ 275,217	\$251,743	\$ 47,620	\$1,088,870

(in thousands of dollars) Year ended December 31, 2007	Production Services	Facility Infrastructure	Oilfield Services	Maintenance Services	Total
Revenue	\$ 1,107,056	\$ 423,298	\$ 225,716	\$ 57,732	\$ 1,813,802
EBITDA	119,834	30,696	20,229	4,323	175,083
Amortization	41,289	9,305	20,632	775	72,000
Capital expenditures	7,106	43,334	24,431	5,665	80,536
Additions (reductions) to goodwill	(3,215)	–	(7,097)	–	(10,313)
Goodwill	202,089	28,900	165,262	–	396,250
Total assets	\$ 820,494	\$ 319,624	\$ 322,116	\$ 32,644	\$ 1,494,878

RELATED-PARTY TRANSACTIONS

The related-party transactions are set out in Note 18 to the audited consolidated financial statements for the year ended December 31, 2008. During the years ended December 31, 2008 and 2007, the Company entered into the following related-party transactions:

	2008	2007
Expenses:		
Transportation and supply of materials reported in direct costs	\$ 0.8	\$ 0.6
Information system support reported in general and administrative expenses	0.8	0.6
Facility leases reported in general and administrative expenses	0.6	–
	2.2	1.2
Accounts payable at end of year	\$ –	\$ 0.1

The related-party transactions occur with parties related by equity investments, parties related by common directors and transactions with other private companies owned or controlled by officers or directors. The transactions with related parties occurred in the normal course of operations and are measured at the exchange amount that is the amount of consideration established and agreed to by the related parties.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of Canadian dollars except share data,
per share amounts and stock option exercise prices or unless otherwise stated)

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2008, 46,188,514 common shares were outstanding as compared to 47,560,450 as at December 31, 2007. No preferred shares were outstanding during or at the end of either of these periods. Certain employees, officers and directors of the Company have been granted options to purchase common shares under the Company's incentive stock option plan. There were 2,349,728 options outstanding at December 31, 2008.

As of March 12, 2008 there were 46,174,514 common shares of the Company outstanding and 2,201,227 options to acquire common shares outstanding.

CHANGES IN ACCOUNTING POLICIES

The Company adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031, Inventories; Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation on January 1, 2008.

Section 3031, Inventories

Section 3031 requires inventory to be measured at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous write-downs to net realizable value when economic circumstances have changed to support higher inventory values. Disclosure requirements have also been enhanced requiring inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversal of write-downs to be disclosed.

As a result, the Company allocates fixed and variable production overheads to the cost of conversion of inventories based on normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods or seasons under normal circumstances. The costs of conversion of inventories include costs directly related to the units of production, such as direct labour, and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. Previously, some fixed and variable production overheads were allocated to general and administrative expenses. The adoption of this standard did not have a material impact on the consolidated financial statements. The Company has disclosed the details about its inventory in Note 7 of the financial statements.

Section 1535, Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's objectives, policies, and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. As a result of adopting this section, the Company now discloses details about its capital management as discussed in Note 4 to the audited consolidated financial statements.

Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation

Section 3862 requires disclosure of additional detail by financial asset and liability category. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It addresses the classification of financial instruments from the perspective of the issuer, between liabilities and equity, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. As a result of adopting CICA Section 3862, Financial Instruments – Disclosures, the Company has expanded its financial risks and financial instruments disclosures. There is no other material impact on the consolidated financial statements from adoption of these new standards.

Emerging Issues Committee (EIC) Abstract 173,***“Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”***

In January 2009, the CICA issued EIC Abstract 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. The EIC requires the Company to take into account the Company’s own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in the interim and annual financial statements for periods ending on or after the date of issuance of the Abstract. The Company has early-adopted this Abstract, and has concluded that this standard has had no material impact on its consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS WITH FUTURE APPLICATION

The following are recent accounting pronouncements issued but not yet adopted by the Company:

Section 3064, Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the previous Section 3062. This section is effective for the Company for interim and annual financial statements beginning on January 1, 2009. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

Convergence with International Financial Reporting Standards IFRS

In 2007, Canada’s Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with IFRS over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011, when the Company will prepare both its current and comparative financial information using IFRS.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of Canadian dollars except share data,
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The Company commenced its IFRS conversion project during the second quarter of 2008. The project consists of three phases:

Phase	Description	Status
Phase 1 – Assessment	<p>The technical evaluation of significant differences between Canadian GAAP and IFRS as is relevant to the Company.</p> <p>In January 2009, the International Accounting Standards Board (IASB) released its work plan and projected timetable for new standards and amendments on various topics including consolidations, financial instruments, income taxes, liabilities, revenue recognition and IFRS 1.</p>	<p>The Company completed a high-level assessment of the major differences between Canadian GAAP and IFRS during the third and fourth quarters of fiscal 2008.</p> <p>This phase resulted in the development of a detailed plan under which the design activities are being implemented. The development plan includes an implementation timetable which identifies the key activities that will occur over the next two years leading up to the changeover.</p> <p>The IASB has activities that are currently underway which may change the current interpretation of and effects on the standards as these relate to the Company. As a result, the Company will continue to monitor and assess these changes as they arise during the design phase.</p>
Phase 2 – Design	<p>The identification, evaluation, and selection of accounting policies necessary for the Company to change over to IFRS.</p> <p>In addition, this phase includes an assessment and selection of the operational elements necessary to change over to IFRS such as training, information technology, internal controls over financial reporting, and other business activities that may be influenced by GAAP measures such as debt covenants, hedging, sales practices, and compensation arrangements.</p>	<p>The Company is currently in the process of evaluating and selecting accounting policies necessary for the Company to change over to IFRS; however, at this current stage, the Company cannot reasonably determine the impact that adopting IFRS will have on its financial position and future results.</p> <p>The Company completed IFRS awareness sessions during the fourth quarter of 2008 as introductory training sessions for staff. More directed technical and implementation training related to new accounting policies, procedures, and processes has occurred in the first quarter of 2009, and more is anticipated to occur in the second quarter of 2009.</p> <p>An evaluation of the required changes to information technology, internal controls over financial reporting, and business activities is currently underway and is anticipated to be complete by the third quarter of 2009.</p>
Phase 3 – Implementation	<p>The integration of financial and operational processes necessary to change over to IFRS.</p>	<p>Certain aspects of this phase have been established and approval will be sought during the first quarter of 2009.</p>

An executive steering committee has been established to provide directional leadership for the conversion project and to assist in development accounting policy recommendations. This committee includes representation from accounting, information technology, treasury, human resources, and operations. Management updates the Audit Committee of the Board of Directors at least quarterly on the status of the project.

Section 1582, Business Combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces the existing standard. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date and that non-controlling interests would be measured at fair value at the date of acquisition. This standard is equivalent to IFRS on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011 and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

Section 1601, Consolidated Financial Statements

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which replaces the existing standards. This section carries forward existing Canadian guidance for preparing consolidated financial statements other than non-controlling interests. The section is effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard for the Company's consolidated financial statements.

Section 1602, Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1602, Non-Controlling Interests, which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the IFRS on consolidated and separate financial statements. The section is effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard for the Company's consolidated financial statements.

USE OF ACCOUNTING ESTIMATES

In preparing the consolidated financial statements, various accounting estimates are made in applying the Company's accounting policies. These estimates require significant judgment on the part of management and are considered critical as they are important to the Company's financial condition and results. The following represents the estimates that management considers most critical to the application of the Company's significant accounting policies.

Revenue and Cost Recognition

The Company's Production Services and Facility Infrastructure operating segments perform the majority of their projects under the following types of contracts: time-and-materials, cost-plus-fixed-fee, unit-price, and fixed-price or lump sum. For these contract types, revenue is recognized using the percentage-of-completion method, measured by the ratio of costs incurred and units produced to date relative to total estimated costs and units to be produced. The resulting percentage complete methodology is applied to the approved contract value to determine the revenue recognized. The estimated total cost of the contract and percentage complete is determined based upon estimates made by management. The costs of items that do not relate to performance of contracted work, particularly in the early stages of the contract, are excluded from costs incurred to date.

Contract costs include all direct materials, equipment, and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies, and tools. General and administrative costs are charged to expense as incurred. Changes in project performance, project conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income that are recognized in the period in which such adjustments are determined. Provisions for estimated losses on all uncompleted contracts are made in the period in which such losses are identified.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of Canadian dollars except share data,
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Costs related to change orders and claims are recognized when they are incurred. Revenues related to change orders are included in total estimated contract revenue when they are approved. Once a project is underway, the Company may experience changes in conditions, client requirements, specifications, designs, materials, and work schedules. In these circumstances, a change order is generally negotiated with the customer to modify the terms of the original contract to approve both the scope and price of the change.

When a change order is not approved in both scope and price or becomes a point of dispute between the Company and a customer, the Company will then consider it as a claim. Claims are included in total estimated contract revenue only to the extent that contract costs related to the claim have been incurred and when it is probable that the claim will result in a bona fide addition to contract value and revenues can be reliably estimated. This can lead to a situation where costs are recognized in one period and revenue is recognized when customer agreement is obtained or claim resolution occurs, which can be in subsequent periods.

Within the Facility Infrastructure operating segment, the length of the contracts varies from one year to several years, whereas within the Production Services operating segment, the length of the contracts is typically less than one year. The Company's long-term contracts typically allow its customers to unilaterally reduce, delay or eliminate the scope of the work as contracted without cause. As a result, these long-term contracts represent higher risk due to uncertainty of total contract value and estimated costs to complete, potentially impacting revenue recognition in future periods.

Revenue in excess of billings represents costs incurred and revenues earned in excess of amounts billed on uncompleted contracts. Billings in excess of revenue represent amounts invoiced in excess of revenue recognized.

The Company's Oilfield Transportation, Tubular Management and Manufacturing, and Plant Maintenance and Other segments recognize revenue as follows:

- (i) Revenue from transportation services is provided based upon orders and contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates and is recognized when the service is performed;
- (ii) Revenue from inspections, threading, refurbishment and bucking of drill and line pipe is recognized as the services are provided;
- (iii) Revenue from manufacturing and product sales is recognized when the product is shipped to the customer; and
- (iv) Revenue from maintenance services is recognized when the service is completed in accordance with the terms of the maintenance contract, unless the contract is long-term or where service activity within a year is expected to vary significantly year to year, in which case revenue is recognized as the services are recognized.

Amortization of Property, Plant and Equipment

The Company's Production Services and Oilfield Transportation operating segments require a significant investment in construction and hauling equipment. In accordance with the Company's accounting policy related to the amortization of property, plant and equipment, the cost of construction and hauling equipment is amortized over its estimated useful life.

Judgment is involved in determining the useful life of the equipment, the estimated residual value and the appropriate method of amortization. Factors considered in estimating the useful life of an item of construction or hauling equipment include expected future usage, effects of technological or commercial obsolescence, expected wear and tear from use or the passage of time, the effectiveness of the Company's maintenance program and historical information of similar items retired. The same factors are considered in estimating the residual value of an item of construction or hauling equipment. The accuracy in estimating the residual value of an item of construction or hauling equipment becomes increasingly more difficult the further the estimated useful life extends into the future.

The Company's investment in construction and hauling equipment results in amortization expense being a significant operating cost to the Company and any misjudgment in estimating the useful life or the residual value of the equipment could result in a misstatement of consolidated amortization expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Allowance for Doubtful Accounts Receivable

The Company performs ongoing credit evaluations of its customers and grants credit based upon the customer's payment history and financial condition, taking into consideration anticipated changes in industry and economic conditions. Customer payments are regularly monitored and estimates of the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date taking into consideration the following factors: the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience. The Company's experience with respect to the incurrence of bad debt losses has been within expectations and has generally been limited to a small number of specific customer situations. Given the cyclical nature of the North American oil and natural gas services industry and the risk associated with finding and producing hydrocarbons, a customer's ability to fulfill its obligations can change without notice.

Goodwill Impairment

A judgmental aspect of accounting for goodwill involves determining whether an impairment of the goodwill exists. This assessment is critical due to the potential impact on earnings if an impairment of goodwill exists. GAAP requires that a charge to earnings be recorded when the implied fair value of goodwill is less than its carrying amount.

Judgment is applied in estimating the future operating cash flows of the associated reporting unit. Factors that influence these cash flow estimates include industry-related long-term forecasts and trends, general long-term economic forecasts, known and anticipated future oil and natural gas-related construction projects, and historical results of the reporting unit. As required by accounting standards, the Company tests goodwill for impairment at least annually.

BUSINESS RISKS

The Company's results are affected by a number of external factors, including commodity prices, which drive producer capital spending levels and the demand for Flint's project-related services, foreign currency, interest rates, as well as operational, credit and safety risks.

Producer Capital Spending Levels

The Company's business is directly affected by fluctuations in the levels of exploration, oil sands development and production activity carried on by its customers, which in turn is dictated by numerous factors, including continental and world energy prices and government policies. Projected commodity prices drive oil and natural gas producer capital expenditures, including drilling and production and exploration activity, which in turn impacts the Company's activity levels. Producer capital spending levels have a relatively significant impact on the results of the Company's Facility Infrastructure and Oilfield Transportation operating segments compared to the Production Services operating segment and most divisions within the Tubular Management and Manufacturing operating segment, as the latter perform services more related to the ongoing operation and maintenance of producers' physical plants and production. As it is difficult for the Company to effectively manage the fluctuations in activity levels resulting from the peaks and troughs in producer spending related to large capital projects, the Company strives to operate its operating segments in such a manner as to maximize their scalability relative to activity levels. A significant, prolonged decline in commodity prices could have a material adverse effect on the Company's results of operations and financial condition.

Foreign Currency

The Company minimizes its exposure to unrealized translation gains and losses on U.S.-denominated monetary items related to the translation of its net United States investment by financing the investment with U.S. dollar-denominated debt. The Company enters into derivative contracts to manage the exposure to foreign currency related to contracted purchases. The Company does not manage the exposure to fluctuations in the U.S. to Canadian exchange rate related to translating the results of its United States operations.

Interest Rates

In order to minimize the Company's exposure to fluctuating interest rates, the Company has structured its senior credit facility such that a significant amount of its long-term debt has fixed interest rates and by using interest rate swaps to fix the interest rate on a portion of the debt for longer periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Operational Risk and Insurance

The Company's operations are subject to risks inherent in the oil and gas industry such as equipment defects, malfunctions, failures and natural disasters. These risks could expose the Company to substantial liability for personal injury, loss of life, business interruptions, property damages or destruction, pollution and other environmental damages. In addition, the Company's operations are subject to risks normally inherent in the transportation industry, including potential liability, which could result from, among other things, personal injury, loss of life or property damages arising from motor vehicle accidents. The Company minimizes its exposure to operational risk through comprehensive vehicle and equipment maintenance programs designed to prevent failure and maximize the useful life of the related assets. In addition, the Company follows a complete quality assurance and control program designed to maximize performance in its work and minimize deficiencies potentially leading to failures and remedial re-work.

The Company maintains insurance against certain of the risks to which it is exposed; however, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Safety Risk

Safety risks are managed through the application of safety policies and procedures conducive to promoting safe work practices to a standard either complying with or exceeding government regulations and industry requirements. The Company maintains a behaviour-based safety program, which uses positive reinforcement to change unsafe behaviours of its employees and contractors.

Labour Supply Risk

The Company requires a large number of trades personnel to conduct its operations. Recruiting and training these individuals is critical to the Company's ability to continue to meet customer requirements and generate increasing levels of revenue. As there is a very high demand for many of these skilled positions, the Company devotes significant resources and planning to the recruiting, training and retention of people in order to secure the required level of staffing and skills necessary to support anticipated levels of work.

Credit Risk and Reliance on Major Customers

The risk of losses from customer non-payment is minimized through the Company's credit granting policies and other procedures designed to limit the exposure to credit risk. As a result of such practices, the Company's bad debt expense has historically been minimal. Substantial portions of the Company's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. Management currently considers the risk of a significant loss to be remote. The Company's top ten customers are all well-known, publicly traded companies. The top ten customers of the Company accounted for approximately 49.1% of the Company's revenue for the year ended December 31, 2008 and the largest customer accounted for approximately 13.3% of such revenue. There can be no assurance that the Company's current customers will continue their relationships with the Company. The loss of one or more major customers, or any significant decrease in services provided to a customer, prices paid, or any other changes to the terms of service with customers, could have a material adverse effect on the profitability of the Company.

Fuel Prices

Fuel is one of the Company's major costs and, as such, higher fuel prices could materially affect the Company's results. The Company manages this exposure to rising fuel costs through fuel surcharges to customers.

Legislation and Regulation

Income tax, environmental and other applicable legislation may be changed in a manner which adversely affects the Company.

Transportation regulations governing the Oilfield Transportation operating segment require licensing from or registration with provincial and territorial authorities in order to carry goods extra-provincially or to transport goods within any province or territory. Changes in regulations applicable to the Company could increase operating costs and have a material adverse effect on the Company's operations and financial condition.

The right to continue to hold applicable licences and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and regulations. Although the Company is committed to compliance and safety, there is no assurance that the Company will be in full compliance at all times with such policies, guidelines and regulations. Consequently, at some future time, the Company could be required to incur significant costs to maintain or improve its compliance record.

Environmental Liability Risks

Certain of the Company's operating segments routinely deal with natural gas, oil and other petroleum products. The Company has programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. There can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. Although the Company is not aware of any contamination which, if remediation or clean up were required, would have a material adverse effect on the Company, there can be no assurance that the Company will not be required at some future date to incur significant costs to comply with current or future environmental laws.

Weather and Seasonality

Weather conditions can restrict or impede the Company's ability to deliver its services. Municipalities and provincial transportation departments enforce road bans during certain times of the year which restrict the movement of the Company's own equipment and those of its customers, thereby reducing the Company's activity levels during these periods. Additionally, certain oil and gas producing areas are only accessible in the winter months due to ground conditions. Seasonal factors and unexpected weather patterns may lead to declines in activity levels of exploration and production companies and corresponding declines in the demand for the goods and services of the Company. The Company's operations are geographically dispersed throughout the major oil and gas producing areas in North America and, therefore, the risk associated with seasonal and inclement weather is somewhat mitigated.

INTERNAL CONTROLS OVER DISCLOSURE AND FINANCIAL REPORTING

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for designing disclosure controls and procedures to ensure that material information is being made known to the appropriate individuals. In addition, the CEO and CFO are responsible to design internal controls over financial reporting or cause them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Disclosure Controls and Procedures

An evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted as of December 31, 2008, by and under the supervision of the Company's management, including the CEO and CFO. Based on this evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that as a result of the material weaknesses in the Company's internal control over financial reporting discussed (on page 50) the disclosure controls and procedures were not effective as at year end.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of Canadian dollars except share data,
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Internal Controls over Financial Reporting

The Company's management, including the CEO and the CFO, has evaluated the design of the Company's internal control over financial reporting (ICFR) using the framework and criteria established in the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that the Company's ICFR as of December 31, 2008, provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, with the following exceptions:

- A material weakness in the internal controls design related to the use of a legacy application on a multi-year project's job costing and project controls processes. As part of project close-out a thorough transaction-level review and analysis of financial results was carried out to compensate for the control weaknesses. In addition, the goal of transitioning all new projects onto the Company's ERP application, JD Edwards, was completed and there continues to be a focus on enhancing controls.
- Management has determined that its information systems are subject to general control deficiencies. Although the Company believes these have not resulted in a misstatement of consolidated financial results, when aggregated, these deficiencies represent a material weakness in the Company's control environment. Specifically these deficiencies are as follows:
 - Change management procedures and access controls are not well defined and implemented.
 - The Oilfield Transportation and Tubular Management and Manufacturing segments have not yet transitioned to the Company's ERP application, JD Edwards. The absence of access and other general controls exist in these operating segments.

Notwithstanding the above-mentioned weaknesses, the Company has concluded that the consolidated financial statements fairly present the Company's consolidated financial position and consolidated results of operations as at and for the year ended December 31, 2008.

Changes in Internal Controls over Financial Reporting

Other than the continuing impact of the corrective actions discussed above, there were no changes in the Company's ICFR in 2008 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company continues to standardize processes and controls as it executes its Enterprise Resource Planning Systems implementation.

Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Control Over Financial Reporting

The Company's management, including the CEO and CFO, does not expect that the Company's disclosure controls and procedures and ICFR will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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OUTLOOK

In 2008, the oil and natural gas industry witnessed extremely volatile commodity prices, with West Texas Intermediate (WTI) crude oil prices starting the year at close to US\$93 per barrel, rising to US\$134 per barrel in June before retreating to US\$42 per barrel in December. For the full year, WTI crude oil prices averaged US\$99 per barrel, up from US\$72 per barrel in 2007.⁽¹⁾

NYMEX natural gas prices averaged US\$7.99 per mmbtu in January and peaked at US\$13.66 per mmbtu in June but ended the year with an average price of US\$5.77 mmbtu in December. For the full year NYMEX natural gas prices averaged US\$7.73 per mmbtu compared to US\$6.14 per mmbtu in 2007.⁽²⁾

The Canadian currency exchange rate, which traded at close to par with the United States dollar for the first half of 2008, fell in the second half of 2008 to average US\$0.94 for the year (near 2007's average of US\$0.93).⁽³⁾

Forecasts for commodity prices are quite mixed for 2009 with the crude oil forecast ranging from an average of US\$50-US\$60 per barrel; while natural gas prices are expected to drop to an average of US\$4.00-US\$4.50 per mmbtu in 2009.⁽⁴⁾

Improved commodity prices led to increased expenditures for drilling and completions in Canada in 2008. Canadian well drilling activity saw average rig counts in 2008 of 380 active rigs and 17,000 wells drilled. The rig-count was up from 2007's average of 347 active rigs, but the number of wells drilled was down from 18,500 in 2007. The reason for the reduction in wells drilled was mainly the year-over-year decline in shallow gas drilling, with a greater focus on deeper oil and gas drilling activity in 2008 (which results in fewer wells for a given capital investment compared to shallow drilling). Oil sands capital expenditures also benefited from higher crude oil prices, with an estimated \$19 billion spent in 2008, up from an estimated \$16 billion spent in 2007.⁽⁵⁾

In the United States, 2008 witnessed record drilling activity with an average of over 1,877 active rigs and an estimated 60,000 wells drilled. Drilling activity was up from an average of 1,670 rigs and 48,500 wells drilled in 2007. Increased drilling activity led to an estimated 6% increase in U.S. natural gas production in 2008.⁽⁶⁾

As a result of stronger commodity prices and the associated increased capital spending, all of the Company's business segments benefited from increased activity, resulting in record revenues for the Company in 2008.

By the end of 2008, however, recessionary fears, lower commodity pricing, as well as pending changes to the Government of Alberta's royalty system, announced in late 2007, had a chilling effect on capital spending in Canada, with forecasts for an estimated 281 average active rigs and only 12,500 to 13,500 wells to be drilled in 2009.⁽⁷⁾ This represents a 23% drop in drilling activity from 2008 levels.⁽⁸⁾ Similarly, oil sands capital spending has been significantly impacted by falling commodity prices, recessionary fears, and tight credit with 2009 forecast expenditures now estimated to be only \$13 billion.

In the United States, with falling commodity prices, recessionary fears, and increased natural gas production weighing on supply similarly to Canada, drilling activity is forecast to decline by an even greater proportion than in Canada, namely about 35% to 45% in 2009, which will represent a far greater numerical decline in the number of active rigs and wells drilled.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of Canadian dollars except share data,
per share amounts and stock option exercise prices or unless otherwise stated)

These recent forecasts indicate that all of the Company's business segments will be impacted to some extent by reduced capital spending in 2009. These include rig moving, well tie-ins, installation of wellhead equipment, and the manufacture and sale of oil and gas well equipment. However, the ongoing expenditures on existing oil and gas production, especially maintenance of conventional oil and gas wells and ongoing maintenance activities in oil sands production, will help to offset some of the Company's downside exposure. Additionally, Flint works for many of the largest producers in both Canada and the United States, whose midstream spending on production is expected to remain reasonably active throughout 2009. While the Company's oil sands construction revenues will be down in 2009, the Company has three oil sands construction projects which it is working on in 2009 and early 2010. The Company's maintenance joint venture has three contracts that it is working on and maintenance activity on these contracts should remain relatively steady in 2009.

Flint believes that overall Company revenues will be down in 2009; however, management has taken a number of steps to reduce fixed costs to keep the Company profitable. These include the previously announced reorganization of the Company's operating divisions for improved cost efficiencies, reductions in administrative positions and a salary freeze for salaried employees. Since that announcement, the Company have made cuts to both salaried and hourly positions and will continue to seek cost reductions to remain competitive and profitable. While 2009 will be a challenging year, this is a cyclical business and the Company's management believes that Flint is in a good position to work through the current cycle and be well-prepared for the turning point.

Source: ⁽¹⁾⁽²⁾Nickles Energy; ⁽³⁾Bank of Canada, average annualized noon rates; ⁽⁴⁾Spears & Associates Quarterly Drilling report January Update; ⁽⁵⁾Nickles Energy for rigs and wells; CAPP for oil sands spending; ⁽⁶⁾Spears & Associates; ⁽⁷⁾PSAC January 2009 – 13,500 wells. TD Newcrest February 11, 2009 – 14,500 wells; ⁽⁸⁾Statistics Canada Report February 25, 2009.

ADDITIONAL INFORMATION

Additional information related to the Company is available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com, including a copy of the Company's latest Annual Information Form.

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