



FLINT ENERGY SERVICES
INTEGRATED. INTEGRAL.



QUARTERLY REPORT

For the Six Months Ended
June 30, 2008

Q2

ADVISORY REGARDING FORWARD LOOKING STATEMENTS

This document contains forward-looking statements under the heading "Outlook" and elsewhere concerning future events or the Company's future performance, including the Company's projected operating results for 2008 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 the heading "Risk Factors" and elsewhere in the Company's Annual Information Form for the year ended December 31, 2007 and other documents filed with Canadian provincial securities authorities. These documents are 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 unduly 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 document are expressly qualified by this statement.

Unless otherwise indicated, all financial information in this document is presented in Canadian dollars and in accordance with the Canadian Generally Accepted Accounting Principles ("GAAP").

The following Management's Discussion and Analysis ("MD&A"), prepared as at August 7, 2008, should be read in conjunction with the Company's audited Consolidated Financial Statements and MD&A for the year ended December 31, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net earnings for Flint Energy Services Ltd. ("Flint" or the "Company") for the quarter ended June 30, 2008 were \$11.8 million on revenues of \$531.7 million compared to net earnings of \$6.3 million on revenues of \$421.8 million for the same quarter in 2007. Funds provided by operations before changes in non-cash working capital for the three-month period were \$32.2 million compared to \$28.3 million for the comparative period. Diluted earnings per share for the second quarter of 2008 were \$0.25 compared to \$0.13 for the second quarter in 2007. The most significant component of the variance was the recovery of the interest and penalties pertaining to the Government of Quebec settlement of the Bill 15 retroactive tax issue, which improved earnings per share by \$0.18.

Highlights

Revenue increased in the second quarter in 2008 over the same period in 2007 by \$109.9 million or 26.1%, primarily as a result of growth in Plant Maintenance of \$97.4 million and Facility Infrastructure of \$25.3 million offset by reductions in both the Tubular Management and Manufacturing and Production Services business segments of \$4.3 million and \$11.7 million respectively. As expected during the second quarter, spring breakup impacted the business segments focused on drilling activity in Western Canada. Oilfield Transportation's revenue during the quarter was \$17.9 million and was well below expectations due to demand for its services being closely tied to oilfield drilling activity which declined from the second quarter of 2007. This decrease in activity coupled with an extended spring breakup delayed rig movement and increased pricing pressures in certain regions of Alberta. Facility Infrastructure's revenue increased by \$25.3 million for the quarter as compared to 2007 due to the ramping up of the Shell Alban

Sands and Suncor Energy Firebag and other projects. Plant Maintenance and Other's revenues increased by \$97.4 million primarily due to major turnaround work at the Suncor Energy Upgrader performed by FT Services, which accounted for the majority of the variance.

Consolidated gross margin in the second quarter of 2008 was 13.5% compared to 17.5% in 2007. Overall margins were negatively impacted by the operating loss in the Oilfield Transportation business segment. This significant under-utilization of transportation equipment during the quarter, as well as pricing pressures in this segment, negatively impacted the Company's overall margin. In addition, Production Services in Canada reported lower margins due to the prolonged spring breakup and poor utilization of resources. The increased revenue from the Plant Maintenance and Other division at lower margins also negatively impacted overall margins. The lower gross margin percentage was not fully offset by the significantly increased revenue in the quarter and therefore, there was a slight reduction in gross profit to a level of \$71.9 million as compared to \$73.9 million in the second quarter of 2007.

Summary of Consolidated Financial Results

| (in millions of Canadian dollars, except share data) | Three months ended June 30 | | Six months ended June 30 | |
|---|----------------------------|----------|--------------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Revenue | \$ 531.7 | \$ 421.8 | \$ 1,047.3 | \$ 924.5 |
| EBITDA ¹ | 31.1 | 35.5 | 84.8 | 95.1 |
| Net earnings | 11.8 | 6.3 | 30.3 | 28.5 |
| per common share – basic | 0.25 | 0.13 | 0.63 | 0.60 |
| per common share – diluted | 0.25 | 0.13 | 0.63 | 0.59 |
| Funds provided by operations before changes in non-cash working capital | 32.2 | 28.3 | 62.2 | 54.4 |
| | | | June 30, 2008 | Dec 31, 2007 |
| Working capital | | | \$ 419.9 | \$ 324.5 |
| Total assets | | | 1,543 | 1,495 |
| Shareholders' equity | | | 863.1 | 824.3 |

¹ The Company presents "EBITDA" as a supplemental earnings measure as it is used by the chief operating decision makers of the Company to measure operating segment profitability. EBITDA is equal to earnings before interest, taxes, depreciation, amortization and stock based compensation. Management uses EBITDA to establish performance benchmarks for incentive compensation for employees, to evaluate the performance of its operating segments and valuing its existing operations to determine potential goodwill impairment. It also presents "funds provided by operations before changes in non-cash working capital" as it is used to measure funds generated from operations. Funds provided by operations before changes in non-cash working capital is equal to net earnings adjusted for items not affecting cash. EBITDA and funds provided by operations before changes in non-cash working capital are non-GAAP financial measures that do not have any standardized meaning prescribed by GAAP, and may not be comparable to similar measures presented by other issuers.

Quarterly Information

| (in millions of Canadian dollars, except share data) | 2008 | | 2007 | | | | 2006 | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Revenue | \$ 531.7 | \$ 515.6 | \$ 465.0 | \$ 424.3 | \$ 421.8 | \$ 502.7 | \$ 426.6 | \$ 341.5 |
| Net earnings (loss) | 11.8 | 18.4 | 9.6 | 12.2 | 6.3 | 22.2 | 16.9 | 12.9 |
| per common share-basic | 0.25 | 0.38 | 0.20 | 0.26 | 0.13 | 0.47 | 0.39 | 0.34 |
| per common share-diluted | 0.25 | 0.38 | 0.21 | 0.25 | 0.13 | 0.46 | 0.39 | 0.33 |

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 behaviors in customer spending caused by activities such as plant shutdown work.

The Company continues to strive to create the optimum portfolio of services to meet customer 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 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 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 Oilfield Transportation, will have more specific business drivers related to the movement of large pieces of equipment and module components of construction projects.

As Flint has United States operations, the Company's 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. In the first six months of 2008, 23.4% (2007 - 25.9%) of the Company's business activity was in the United States.

Results of Operations

Flint modified its segmented reporting for the year ended in 2007 to combine three jointly owned companies into one operating segment called Plant Maintenance and Other. This segment is comprised of FT Services, a 50% owned incorporated joint venture previously reported in the Plant Maintenance and Asset Management operating segment; Mackenzie Valley Construction Ltd. ("MVC"), a 49% owned incorporated joint venture previously reported as part of the Production Services operating segment; and SRP North Ventures ("SRP"), a 33 1/3% owned joint venture previously reported in the Oilfield Transportation operating segment. Additionally, the fluid hauling operations which were previously reported in Oilfield Transportation are now reported in Production Services' business segment. The segmented reporting for prior periods was restated.

Revenue for the three months ended June 30, 2008 increased by \$109.9 million to \$531.7 million as compared to the \$421.8 million for the same period of 2007. Direct costs increased by \$111.9 million, resulting in a decline in gross margin of \$2.0 million to \$71.9 million for the period. While the revenues only increased slightly, by \$2.4 million to \$40.8 million, higher direct costs and general and administration expenses resulted in a lower EBITDA of \$31.1 million for the second quarter of 2008 compared to \$35.5 million in 2007.

Revenue for the six months ended June 30, 2008 increased by \$122.8 million to \$1,047.3 million as compared to \$924.5 million in 2007. The activity levels for Plant Maintenance and Other were \$130.9 million higher in 2008 substantially accounting for the entire revenue difference. The Facility Infrastructure business segment was \$20.8 million higher due to the ramp up of the Shell Albian Sands and Suncor Energy Firebag revenue streams. Conversely, Production Services in Canada was down \$8.1 million and in U.S. by an additional \$10.3 million for a total reduction of \$18.4 million. The Tubular Management and Manufacturing business segment was down \$3.9 million in Canada and \$8.5 million in the United States. Being an early cycle component of the oil and gas service industry, the Canadian operations were significantly impacted by the lower activity levels. In the U.S., the stronger Canadian dollar impacted the results negatively and the shift in the type of work done from long production runs of similar product to that of more specialized and unique products did not allow the operating efficiencies that were achieved in 2007 to carry through into 2008.

Selected Segmented Information*(in thousands of Canadian dollars)*

| | Three months ended June 30 | | | | Six months ended June 30 | | | |
|--|----------------------------|-------|------------|-------|--------------------------|------|------------|------|
| | 2008 | | 2007 | | 2008 | | 2007 | |
| Revenue by operating segment | | | | | | | | |
| Production Services | \$ 248,027 | 47% | \$ 259,711 | 62% | \$ 518,006 | 50% | \$ 536,406 | 58% |
| Facility Infrastructure | 120,438 | 23% | 95,132 | 23% | 221,489 | 21% | 200,667 | 22% |
| Oilfield Transportation | 17,934 | 3% | 14,733 | 3% | 76,800 | 7% | 74,932 | 8% |
| Tubular Management and Manufacturing | 43,871 | 8% | 48,134 | 11% | 90,972 | 9% | 103,336 | 11% |
| Plant Maintenance and Other | 101,443 | 19% | 4,078 | 1% | 140,030 | 13% | 9,141 | 1% |
| Total | \$ 531,713 | 100% | \$ 421,788 | 100% | \$ 1,047,297 | 100% | \$ 924,482 | 100% |
| EBITDA¹ by operating segment | | | | | | | | |
| Production Services | \$ 20,737 | 67% | \$ 27,288 | 77% | \$ 48,236 | 57% | \$ 55,804 | 59% |
| Facility Infrastructure | 10,339 | 33% | 9,620 | 27% | 18,367 | 22% | 16,158 | 17% |
| Oilfield Transportation | (10,658) | (34%) | (9,200) | (26%) | (678) | (1%) | 4,644 | 5% |
| Tubular Management and Manufacturing | 3,570 | 11% | 7,879 | 22% | 8,925 | 11% | 18,271 | 19% |
| Plant Maintenance and Other | 7,109 | 23% | (53) | (0%) | 9,927 | 12% | 266 | 0% |
| Total | \$ 31,097 | 100% | \$ 35,533 | 100% | \$ 84,777 | 100% | \$ 95,143 | 100% |

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

Production Services

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.

Revenue

Revenue from the Production Services business segment for the second quarter of 2008 decreased 4.5% to \$248.0 million from \$259.7 million in the same period of 2007 and for the six months ending June 30, 2008, revenue declined 3.4% to \$518.0 million from \$536.4 million for the corresponding period in 2007 primarily due to reduced activity levels in Canada. In the United States, revenues were higher than 2007, with continued strong activity levels in west and central Texas and also in the Rocky Mountain region. In Canada, a decrease in revenue was experienced as natural gas well completions declined. This drop in natural gas well completions work was partially offset by increases achieved from additional maintenance work on existing producing wells in eastern Alberta and the expansion of capabilities in the Fort McMurray area.

EBITDA

Production Services' EBITDA decreased by 24.0% to \$20.7 million in the second quarter of 2008 compared to \$27.3 million in the same period of 2007 and for the six months ending June 30, 2008, EBITDA decreased 13.6% to \$48.2 million from \$55.8 million for 2007. EBITDA was impacted both by the lower activity levels in Canada, and overall lower margins caused by cost increases in fuel and labour. Fuel surcharge increases lagged actual cost increases during the quarter. Margins were about 2.1% lower in this segment. Margins in U.S. were negatively impacted by weather and less than optimal operating execution specific to one district office, particularly in the first quarter. The largest weather impact was on an Oklahoma pipeline project which experienced 87 rainout days during the project. This significantly impacted productivity and resulted in negative margins on just over \$10.0 million of work.

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 three months ended June 30, 2008 increased 26.6% to \$120.4 million from \$95.1 million in the second quarter of 2007 and for the six months ending June 30, 2008, revenue increased 10.4% to \$221.5 million from \$200.7 million for 2007. The primary increase in revenue is due to the start up of the Shell Albian Sands and Suncor Energy Firebag and other projects.

EBITDA

Facility Infrastructure's EBITDA increased by 7.5% to \$10.3 million for the three months ended June 30, 2008 from \$9.6 million for the second quarter of 2007 and for the six months ending June 30, 2008, EBITDA increased 13.7% to \$18.4 million from \$16.2 million for 2007. A portion of the revenue in 2008 was derived from activity on the Long Lake project; however, margins for the project were lower as a result of the increase in overall scope and cost of the project. The portion of the work for the quarter associated with the Long Lake project declined. This resulted in an overall improvement in EBITDA.

Oilfield Transportation

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

Revenue

During the second quarter of 2008, revenue was \$17.9 million. This was an increase of 21.7%, from \$14.7 million during the second quarter of 2007. For the six months ending June 30, 2008, revenue increased 2.5% to \$76.8 million from \$74.9 million for 2007. Revenue was up, despite the fact drilling rig moving activities in this business segment are closely correlated to drilling activity which was down from activity levels in the second quarter of 2007. Revenue in the specialized heavy haul portion of Oilfield Transportation did not significantly increase until late in the second quarter when additional contracts were awarded.

EBITDA

Oilfield Transportation's EBITDA loss for the second quarter of 2008 increased to \$10.7 million compared to a loss of \$9.2 million during the second quarter of 2007. For the six months ending June 30, 2008, EBITDA was (\$0.7) million compared to \$4.6 million during 2007. Certain areas of northeastern Alberta and British Columbia realized an increase in drilling activity during the first half of the year, allowing some offices to increase fleet utilization. Central Alberta and parts of southern Alberta, where natural gas drilling dominates, remained low and did not achieve the desired level of utilization. Higher costs, particularly fuel, and lower activity levels resulting in lower equipment utilization, all negatively impacted EBITDA. Cost savings in SG&A mitigated these impacts.

Tubular Management and Manufacturing

The Tubular Management and Manufacturing business segment includes inspection, threading and refurbishment of drill pipe, pipe storage facilities, and manufacturing of polyethylene pipe and gas processing equipment.

Revenue

Revenue for the three months ended June 30, 2008 was \$43.9 million, down 8.9% from \$48.1 million for the second quarter of 2007. For the six months ending June 30, 2008, revenue decreased 12.0% to \$91.0 million from \$103.3 million for 2007. In Canada, Tubular Management and Manufacturing operations were positively impacted, late in the quarter, by the increased drilling activity. Drill pipe related services did not increase until the stock of repaired and refurbished materials was back in the field in the drilling cycle. The work on production related tubular goods remained constant but it was not sufficient to support the segment's capacity without a certain level of drilling activity to increase volume levels. In the United States, increased capacity in J.W. Williams was not utilized to its full potential with the timing of deliveries, product mix and poor weather negatively impacting revenue slightly. Further, the strengthening Canadian dollar negatively impacted revenue from the U.S.

EBITDA

Tubular Management and Manufacturing's EBITDA decreased by 54.7% to \$3.6 million for the three months ended June 30, 2008 from \$7.9 million in 2007 and for the six months ending June 30, 2008, EBITDA decreased 51.3% to \$8.9 million from \$18.3 million for 2007. The decrease was a result of the lower activity levels in Canada and losses in Global Poly Systems Inc., our Edmonton based polyethylene pipe manufacturer, which continued to under-perform due to reduced demand in shallow gas drilling. Operating costs, in the manufacturing facility, were not fully recovered at this lower level of sales. In the United States, changing customer demands, requiring increased specific project engineering and longer start-up times, impacted margins compared to the long 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, MVC, with a base operation in Inuvik, Northwest Territories, and SRP, with a base operation in Norman Wells, Northwest Territories. Both of these joint venture companies provide a variety of services including maintenance and logistical services.

Revenue

Revenue for the second quarter of 2008 increased to \$101.4 million from \$4.1 million for the same period in 2007. For the six months ending June 30, 2008, revenue increased to \$140.0 million from \$9.1 million for 2007. The most significant reason for the increase was the work performed by FT Services for the major turnaround with Suncor Energy in the second quarter, and work on the Canadian Natural maintenance contract. Both contributed to the increase in revenues. As well, FT Services was still an early stage company in the first six months of 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 \$7.1 million in the second quarter of 2008 from a loss of \$0.1 million in the corresponding period in 2007. For the six months ending June 30, 2008, EBITDA increased to \$9.9 million from \$0.3 million for 2007. The significant increase in revenue in this segment contributed to the increased EBITDA.

Consolidated Financial Position

As at June 30, 2008, the Company's net working capital was \$419.9 million as compared to \$413.3 million as at March 31, 2008, and \$324.5 million as at December 31, 2007. Comparative working capital as June 30, 2007 was \$352.6 million.

Income taxes payable decreased from \$33.9 million as at December 31, 2007 to \$11.9 million as at June 30, 2008, while the tax receivable increased from \$4.6 million to \$19.1 million. The December 2007 payable included \$20.9 million related to tax and interest reassessed by the Government of Quebec (Revenu Québec) in 2006 as well as interest accrued on these reassessments. After negotiations with Revenu Québec and the Canada Revenue Agency ("CRA"), this matter was resolved. As a result, all amounts payable to Revenu Québec were paid during the second quarter. The result was a \$5.5 million interest expense reversal and a \$3.2 million tax expense reversal.

Long-term debt, including operating facilities, increased by \$38.5 million over the December 31, 2007 balances. From the previous quarter end, long-term debt decreased by \$11.3 million due to repayments made on the operating facilities.

Liquidity and Capital Resources

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

(in millions of Canadian dollars)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------------------------------|---------|-----------------------------|----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Funds provided by operations before changes in non-cash working capital ¹ | \$ 32.2 | \$ 28.3 | \$ 62.2 | \$ 54.4 |
| Cash (used in) provided by operating activities | 33.4 | 61.1 | (44.9) | 23.4 |
| Cash flow to interest bearing debt (%) ^{2, 4} | 31.6% | 27.8% | 30.6% | 27.5% |
| | | | 30-Jun 2008 | 31-Dec 2007 |
| Long-term debt (including current portion) | | | \$ 407.0 | \$ 368.5 |
| Debt to total capitalization (%) ^{2, 3} | | | 32.0% | 30.9% |

¹ The Company presents "funds provided by operations before changes in non-cash working capital" as it is used to measure funds generated from operations. Funds provided by operations before changes in non-cash working capital is equal to net earnings adjusted for items not affecting cash. Funds provided by operations before changes in non-cash working capital is a non-GAAP financial measure that does not have any standardized meaning prescribed by GAAP, and may not be comparable to similar measures presented by other issuers.

² Ratios contained in this table do not have any standard meaning under GAAP and may not be comparable to similar statistics published by other companies. The ratios are presented since they are commonly referred to by lenders and other interested parties in evaluating the Company's financial position.

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

⁴ Cash flow to interest bearing debt, expressed as a percentage, is equal to cash flow divided by interest bearing debt. Cash flow is equal to funds provided by operations before changes in non-cash working capital. Interest bearing debt is equal to long-term debt including the current portion.

Cash provided by operating activities for the three months ended June 30, 2008 decreased to \$33.4 million compared to \$61.1 million for the same period in 2007. The second quarter is seasonally one of the slowest periods and reductions in working capital consumption are the result of the lower operating activity. This resultant increase in net working capital was due to a strong, focused, effort to reduce receivable and revenue in excess balances.

The Company increased its long-term debt position (including the current portion) by \$38.5 million as at June 30, 2008 to \$407.0 million as compared to the balance at December 31, 2007 of \$368.5 million. Long-term debt includes the utilized portion of a revolving operating line facility, as the facility does not mature until November 30, 2009. The Company has the ability to request the expansion of borrowing capacity under the revolving operating loans to \$250 million Canadian and \$18 million U.S., and expand term loan borrowing capacity to a maximum of \$325 million with the approval of the lenders.

During the first six months of 2008, the Company incurred net capital expenditures totaling \$10.7 million to maintain its fleet and facilities and replace aging equipment, compared to \$35.5 million in the same period of 2007. Included in net capital expenditures were \$6.5 million of proceeds on disposal of property, plant and equipment compared to \$3.9 million of proceeds from disposals during the second quarter of 2007. In 2008, the majority of the expenditures were to replace equipment in Canada and the United States to maintain operational capacity and meet customer needs in new areas.

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

| Contractual Obligations (\$ millions) | Maturity | | | | Total |
|--|------------------|-----------------|----------------|----------------------|-----------------|
| | Less than 1 year | 1 – 3 years | 3 – 5 years | In excess of 5 years | |
| Long-term debt | \$ 15.9 | \$ 259.3 | \$ 67.1 | \$ 64.7 | \$ 407.0 |
| Operating leases | 38.4 | 57.4 | 28.7 | - | 124.5 |
| Total contractual obligations | \$ 54.3 | \$ 316.7 | \$ 95.8 | \$ 64.7 | \$ 531.5 |

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 and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. Further, it requires the reversal of previous write-downs to net realizable value when the economic circumstances have changed to support an increased inventory value.

As a result, the Company now allocates fixed and variable production overheads to the costs of conversion 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. Prior to January 1, 2008, fixed and variable production overheads were allocated to general and administrative expenses. There is no material impact on the consolidated financial statements from adoption of this new standard.

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 and 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 5 of the Financial Statements.

Section 3862, Financial Instruments – Disclosures; and 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.

Future Accounting Changes

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”. The new pronouncements establish 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 Section 3062. This Section is effective in the first quarter of 2009, and 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

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles (GAAP), as used by public companies, being evolved and converged with International Financial Reporting Standards (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. A transition timetable and training schedule has been established for the 3rd quarter of 2008. The budget of resources and plan for conversion will be prepared prior to the end of the year. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

Changes in Internal Control Over Financial Reporting

During the most recent interim period, there have been no changes in the Company's policies and procedures and other processes that comprise its internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company continues to execute its Enterprise Resource Planning Systems implementation strategy to standardize controls and processes.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at June 30, 2008, 47,910,214 common shares were outstanding as compared to 47,813,616 as at March 31, 2008 and 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. 2,443,662 options were outstanding, at June 30, 2008.

Outlook

Western Canadian drilling activity, with an average of around 170 of 854 rigs active in the second quarter, has picked up considerably since spring breakup and industry forecasts are now calling for more than 19,000 wells to be drilled in 2008. While this would see activity levels similar to 2007, because of a weaker first half in 2008, the second half of the year is expected to be busier. This increased level of activity should positively impact both the Oilfield Transportation and Tubular Management and Manufacturing business segments in the second half of the year. Industry statistics show well completions for the first half of the year were down 18% to 8,129 compared to 9,897 in 2007. During July rig activity increased to over 400 active rigs with a number of customers increasing their 2008 well drilling and completion budgets.

U.S. rig counts continue to remain strong with an average of over 1,860 active rigs in the second quarter, up 5% over 2007. July rig activity increased to 1,936 active rigs up 9% from last year. The resulting increased level of gas well tie-ins is expected to keep the U.S. Production Services operations busy and the J.W. Williams' Manufacturing business running at near capacity.

Canadian Production Services activity which was down in the first half of 2008 is expected to see a seasonal increase in activity, especially in well tie-ins and transmission lines, over the next two quarters and into early 2009.

The Facility Infrastructure business segment will continue to ramp up on both the Suncor Energy and Shell Albian Sands projects throughout the second half of 2008 and into 2009. While we expect to see an increase in quarterly revenues for this segment, with the growth also comes the challenge of finding enough skilled construction employees. Recruitment remains a key priority for Facility Infrastructure.

The Plant Maintenance and Other business segment saw a significant increase in revenue due in part to Flint's 50% owned joint venture company, FT Services, which completed a major turnaround on one of Suncor Energy's up-graders in Fort McMurray, Alberta during the second quarter. Work on regular plant maintenance under contract in the oil sands area of Alberta, employs approximately 1,000 employees. FT Services is scheduled to take over maintenance work at Suncor Energy's Sarnia, Ontario refinery during the third quarter. While revenues were higher than normal in the second quarter due to the turnaround, we expect more normal revenue levels in the last half of 2008 and continued growth in 2009.

Oilfield Transportation and Tubular Management operating segments are both experiencing an increase in activity levels and we have initiated price increases for July 1st in both divisions as we move from a heavy discount environment to one where demand is increasing and resources are tight.

CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands of Canadian dollars)

As at

30-Jun-08

31-Dec-07

Assets

Current assets:

| | | | | |
|---|----|---------|----|---------|
| Cash and cash equivalents | \$ | 15,758 | \$ | 32,318 |
| Accounts receivable | | 330,750 | | 236,586 |
| Revenue in excess of billings | | 208,338 | | 234,285 |
| Inventories (Note 2) | | 53,596 | | 51,273 |
| Prepaid expenses and other current assets | | 10,473 | | 11,462 |
| Future income tax assets | | 9,354 | | 7,961 |
| Income taxes receivable (Note 3) | | 19,080 | | 4,631 |
| | | 647,349 | | 578,516 |

| | | | | |
|-------------------------------|----|-----------|----|-----------|
| Property, plant and equipment | | 443,162 | | 460,590 |
| Goodwill | | 396,877 | | 396,250 |
| Intangible assets | | 43,148 | | 47,640 |
| Other long-term assets | | 873 | | 2,552 |
| Future income tax assets | | 11,981 | | 9,330 |
| | \$ | 1,543,390 | \$ | 1,494,878 |

Liabilities and Shareholders' Equity

Current liabilities:

| | | | | |
|--|----|---------|----|---------|
| Accounts payable and accrued liabilities | \$ | 189,132 | \$ | 186,175 |
| Billings in excess of revenue | | 6,025 | | 8,945 |
| Income taxes payable (Note 3) | | 11,959 | | 33,857 |
| Future income tax liabilities | | 4,395 | | 9,009 |
| Current portion of long-term debt | | 15,909 | | 15,987 |
| | | 227,420 | | 253,973 |

| | | | | |
|-------------------------------|--|---------|--|---------|
| Long-term debt | | 391,133 | | 352,548 |
| Future income tax liabilities | | 61,715 | | 64,054 |
| | | 452,848 | | 416,602 |

Shareholders' equity:

| | | | | |
|--------------------------------------|--|----------|--|----------|
| Capital stock (Note 4) | | 582,488 | | 576,304 |
| Contributed surplus | | 10,089 | | 9,359 |
| Accumulated other comprehensive loss | | (24,674) | | (26,325) |
| Retained earnings | | 295,219 | | 264,965 |
| | | 270,545 | | 238,640 |

| | | | | |
|--|----|-----------|----|-----------|
| Commitments and contingencies (Note 8) | | | | |
| | \$ | 1,543,390 | \$ | 1,494,878 |

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

| <i>(unaudited)</i> | Three months ended | Three months ended | Six months ended | Six months ended |
|--|-----------------------|-----------------------|---------------------|---------------------|
| <i>(in thousands of Canadian dollars, except share data)</i> | 30-Jun-08 | 30-Jun-07 | 30-Jun-08 | 30-Jun-07 |
| Revenue | \$ 531,713 | \$ 421,788 | \$ 1,047,297 | \$ 924,482 |
| Direct costs | 459,823 | 347,879 | 883,589 | 744,017 |
| | 71,890 | 73,909 | 163,708 | 180,465 |
| General and administrative expenses | 40,792 | 38,375 | 78,931 | 85,322 |
| Amortization - property, plant and equipment | 14,585 | 14,901 | 30,144 | 30,100 |
| - intangible assets | 2,226 | 2,630 | 4,464 | 5,205 |
| Stock based compensation expense | 1,210 | 1,340 | 2,370 | 2,486 |
| | 13,077 | 16,663 | 47,799 | 57,352 |
| Interest expense (Note 3) | 1,447 | 7,696 | 7,905 | 14,730 |
| Interest income | - | (70) | (558) | (300) |
| Earnings before income taxes | 11,630 | 9,037 | 40,452 | 42,922 |
| Income taxes: | | | | |
| Current (Note 3) | 1,352 | (1,103) | 19,243 | 25,869 |
| Future (reduction) | (1,533) | 3,857 | (9,045) | (11,414) |
| | (181) | 2,754 | 10,198 | 14,455 |
| Net earnings | 11,811 | 6,283 | 30,254 | 28,467 |
| Retained earnings, beginning of period | 283,408 | 236,879 | 264,965 | 214,695 |
| Retained earnings, end of period | \$ 295,219 | \$ 243,162 | \$ 295,219 | \$ 243,162 |
| Earnings per share: | | | | |
| Basic (Note 4) | \$ 0.25 | \$ 0.13 | \$ 0.63 | \$ 0.60 |
| Diluted (Note 4) | \$ 0.25 | \$ 0.13 | \$ 0.63 | \$ 0.59 |
| Weighted average common shares: | | | | |
| Basic (Note 4) | 47,855,195 | 47,334,796 | 47,752,545 | 47,268,746 |
| Diluted (Note 4) | 48,172,435 | 47,948,687 | 48,007,175 | 47,895,783 |

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

| <i>(unaudited)</i> | Three months ended | Three months ended | Six months ended | Six months ended |
|---|-----------------------|-----------------------|---------------------|---------------------|
| <i>(in thousands of Canadian dollars)</i> | 30-Jun-08 | 30-Jun-07 | 30-Jun-08 | 30-Jun-07 |
| Net earnings | \$ 11,811 | \$ 6,283 | \$ 30,254 | \$ 28,467 |
| Other comprehensive loss, net of income taxes: | | | | |
| Unrealized loss on translation of self-sustaining foreign operations | (1,115) | (5,771) | 1,651 | (6,486) |
| Other comprehensive loss | (1,115) | (5,771) | 1,651 | (6,486) |
| Comprehensive earnings | \$ 10,696 | \$ 512 | \$ 31,905 | \$ 21,981 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands of Canadian dollars)

| | Three months ended 30-Jun-08 | Three months ended 30-Jun-07 | Six months ended 30-Jun-08 | Six months ended 30-Jun-07 |
|---|------------------------------------|------------------------------------|----------------------------------|----------------------------------|
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Net earnings | \$ 11,811 | \$ 6,283 | \$ 30,254 | \$ 28,467 |
| Items not affecting cash: | | | | |
| Amortization - property, plant and equipment | 14,585 | 14,901 | 30,144 | 30,100 |
| - intangible assets | 2,226 | 2,630 | 4,464 | 5,205 |
| - deferred finance charges | 171 | 148 | 348 | 286 |
| Loss (gain) on disposal of property, plant and equipment | 383 | (901) | (60) | (695) |
| Stock based compensation expense | 1,210 | 1,340 | 2,370 | 2,486 |
| Foreign exchange translation and other | 3,322 | - | 3,736 | - |
| Future income taxes | (1,533) | 3,857 | (9,045) | (11,414) |
| | 32,175 | 28,258 | 62,211 | 54,435 |
| Changes in non-cash balances relating to operations | 1,183 | 32,794 | (107,065) | (31,062) |
| Net cash provided by (used in) operating activities | 33,358 | 61,052 | (44,854) | 23,373 |
| Investing activities: | | | | |
| Business combination | - | (9,780) | - | (11,933) |
| Purchase of property, plant and equipment | (10,762) | (23,404) | (17,229) | (39,323) |
| Proceeds from disposal of property, plant and equipment | 4,722 | 3,225 | 6,489 | 3,872 |
| Net cash used in investing activities | (6,040) | (29,959) | (10,740) | (47,384) |
| Financing activities: | | | | |
| Proceeds from long-term debt | 236,843 | 25,348 | 548,684 | 100,154 |
| Repayments of long-term debt | (263,758) | (54,181) | (513,943) | (77,080) |
| Deferred financing costs | - | (152) | - | (172) |
| Proceeds from issue of capital stock on exercise of options | 1,422 | 2,131 | 4,293 | 3,669 |
| Net cash (used in) provided by financing activities | (25,493) | (26,854) | 39,034 | 26,571 |
| Increase (decrease) in cash | 1,825 | 4,239 | (16,560) | 2,560 |
| Cash, beginning of period | 13,933 | 9,841 | 32,318 | 11,520 |
| Cash, end of period | \$ 15,758 | \$ 14,080 | \$ 15,758 | \$ 14,080 |
| Supplemental cash flow information: | | | | |
| Net cash during the period for: | | | | |
| Interest paid | \$ (1,520) | \$ (7,371) | \$ (7,906) | \$ (14,029) |
| Interest received | \$ (139) | \$ 77 | \$ 558 | \$ 306 |
| Income taxes paid | \$ (23,924) | \$ (18,396) | \$ (55,279) | \$ (28,759) |

See accompanying notes to the consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

Six Months Ended June 30, 2008

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

1. BASIS OF PRESENTATION

These interim consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada. They do not include all the disclosures as required for annual financial statements under Canadian generally accepted accounting principles. The interim consolidated financial statements include the accounts of Flint Energy Services Ltd. and all subsidiary companies. All subsidiary companies are wholly owned and all material intercompany accounts and transactions have been eliminated. The Company proportionately consolidates its interests in joint ventures. The interim consolidated financial statements follow the same significant accounting policies as described and used in the most recent annual report of the Company for the year ended December 31, 2007, except as described in Note 2 a) below, and should be read in conjunction with that report.

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

2. ACCOUNTING POLICIES

(a) 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

In June 2007, the CICA issued Section 3031, "Inventories", which 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.

Inventories expensed in direct costs in the three months ended June 30, 2008 were \$28,303 (\$27,268 for the same three months in 2007), and for the six months ended June 30, 2008 inventories expensed were \$58,175 (\$55,961 for the same six months in 2007). In the three months ended June 30, 2008 or in the same period of 2007, there were no material write-downs or reversals of write-downs that were taken in previous periods. Amortization expense included in direct costs for the three months ended June 30, 2008 and its comparative period is not material.

The carrying amounts of inventories were:

(unaudited)
(in thousands of Canadian dollars)

| | June 30, 2008 | December 31, 2007 |
|------------------|------------------|-------------------|
| Raw Materials | \$ 16,710 | \$ 20,634 |
| Work in Progress | 8,500 | 9,181 |
| Finished Goods | 28,386 | 21,458 |
| Total | \$ 53,596 | \$ 51,273 |

Section 1535, Capital Disclosures

In December 2006, the CICA issued Section 1535, “Capital Disclosures”. This Section 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 and whether the entity has complied with any capital requirements, and if it has not, the consequences of non-compliance. The Company has applied this new accounting standard prospectively and has disclosed details about its capital management (Note 5). The adoption of this new standard did not have an effect on the Company’s financial position or on the results of its operations.

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

In March, 2007, the CICA issued Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation”, which together comprise a complete set of disclosure and presentation requirements. Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate (i) the significance of financial instruments for their financial position and performance and (ii) the nature and extent of risks arising from financial instruments to which they are exposed during the period and as at the balance sheet date and how they manage those risks. 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 these new sections, the Company has expanded its financial risks and financial instruments disclosures (Note 6). The adoption of this new standard did not have an effect on the Company’s financial position or on the results of its operations.

(b) Future Accounting Changes

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 Costs”. The new pronouncements establish 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 January 1, 2009, and 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

In 2006, Canada’s Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles (GAAP), as used by public companies, being evolved and converged with International Financial Reporting Standards (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 impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

3. INCOME TAXES

In 2002, the Company commenced using a Quebec Trust as part of its corporate structure. In 2006, the Quebec National Assembly passed into law Bill 15 to amend the Quebec Taxation Act and other legislative provisions. Bill 15 included retroactive changes to the Act that had the impact of creating Quebec taxable income for the Company for the 2002, 2003, 2004 and 2005 taxation years. Notices of reassessment, dated June 28, 2006 for these years, amounted to \$15,455 of income taxes and \$3,349 of interest for a total reassessment of \$18,804.

On September 25, 2006, the Company filed notices of objection in relation to the notices of reassessment received from the Government of Quebec. The Company had recorded \$15,455 in income tax expense and \$4,212 in interest expense for the year ended December 31, 2006 and an additional \$1,291 of interest expense for the year ended December 31, 2007 on these assessments.

During the current quarter, the Company reached a negotiated settlement with the taxation authorities with respect to this matter, under which the Company agreed to pay approximately \$12,237 in income taxes owing. Under the terms of the settlement the taxation authorities agreed to waive the interest and penalties on the income taxes owing.

As a result of this, the Company has recorded a total recovery of \$8,721, which consists of a recovery of \$3,218 in income taxes expense and a recovery of \$5,503 in interest expense, in the current period.

| <i>(in thousands of Canadian dollars)</i> | Tax | Interest | Total |
|--|-----------------|-----------------|-----------------|
| Quebec Tax | | | |
| Notices of Reassessment | \$ 15,455 | \$ 3,349 | \$ 18,804 |
| Additional interest accrued in 2006 & 2007 | - | 2,154 | 2,154 |
| Total Quebec Tax debt | 15,455 | 5,503 | 20,958 |
| | | | |
| Quebec Tax settlement payment | (12,237) | - | (12,237) |
| Total recovery | \$ 3,218 | \$ 5,503 | \$ 8,721 |

4. CAPITAL STOCK

(a) Issued Capital Stock:

| Issued: | Common Shares | Amount |
|---|-------------------|-------------------|
| Balances at December 31, 2007 | 47,560,450 | \$ 576,304 |
| Shares issued in conjunction with: | | |
| Exercised employee stock options | 349,764 | 4,293 |
| Transfer from contributed surplus for stock options exercised | - | 1,891 |
| | | |
| Balances at June 30, 2008 | 47,910,214 | \$ 582,488 |

The Company received regulatory approval to make a normal course issuer bid to purchase up to 2,379,689 of its issued and outstanding common shares. The normal course issuer bid commenced on February 29, 2008 and terminates on February 28, 2009. As of the date of these interim financial statements, no shares have been acquired and cancelled.

(b) Stock Based Compensation Plan:

The Company has an incentive stock option plan for certain employees, officers and directors. Options issued under the plan vest at a rate of one third on the three subsequent award date anniversaries. All stock options must be exercised over specified periods not to exceed five years from the date granted.

At June 30, 2008, 3,305,564 common shares remained reserved for issuance under the stock option plan.

| Options | | Weighted Average Exercise Price |
|--------------------------------------|-----------|------------------------------------|
| Outstanding at December 31, 2007 | 2,375,626 | \$ 22.02 |
| Granted | 492,500 | 16.58 |
| Forfeited | (74,700) | 23.14 |
| Exercised | (349,764) | 12.27 |
| Outstanding at June 30, 2008 | 2,443,662 | 22.00 |
| Options exercisable at June 30, 2008 | 1,131,047 | \$ 21.60 |

Included in the diluted number of common shares for the six months period ended June 30, 2008 is 254,629 (June 30, 2007 - 627,037) of stock options.

5. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are:

- (a) to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and
- (b) to manage capital in a manner which balances the interests of equity and debt holders.

In the management of capital, the Company includes short-term and long-term debt and shareholders' equity. The Company manages its capital structure and makes adjustments for changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics.

The Company monitors the following ratios: debt to total capitalization and cash flow to interest bearing debt. Debt to total capitalization and cash flow to interest bearing debt ratios are non-GAAP measures which do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers.

Debt to total capitalization is calculated as short-term and long-term debt (total debt) divided by total capitalization. Total capitalization is defined as the sum of total debt and all components of equity (share capital, contributed surplus, accumulated other comprehensive loss, and retained earnings).

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

The Company's objective is to maintain:

- (a) a debt to total capitalization ratio that would not exceed 50%, and
- (b) minimum cash flow to interest bearing debt of 4% for the quarter.

The objectives and policy for managing capital are established on an annual basis and are monitored on a quarterly basis and remained unchanged in the second quarter of 2008 from the prior comparative period. The Company believes these ratios are currently in the targeted range and provide access to capital at a reasonable cost.

The total debt to capital ratio and cash flow to interest bearing debt are comparable, year over year, and are within the Company's targeted range.

| <i>(\$ millions, except as noted)</i> | 2008 | 2007 |
|--|-------------|-------------|
| Components of Debt and Coverage Ratios | | |
| Funds provided by operations before changes in non-cash working capital ¹ | \$ 32.2 | \$ 28.3 |
| Long-term debt (including current portion) | 407.0 | 400.2 |
| Total shareholders' equity | 863.0 | 805.3 |
| Ratios | | |
| Debt to total capitalization | 32.0% | 33.2% |
| Cash flow to interest bearing debt | 31.6% | 27.8% |

¹ The Company is subject to restrictive covenants related to its credit facilities that are measured on a quarterly basis. These covenants include, but are not limited to, a working capital ratio, debt to EBITDA ratio, fixed charge coverage ratio, and debt to total capitalization ratio. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in an acceleration of the repayment of the Company's debt obligations by the Company's lenders. The Company was in compliance with all covenants under this agreement as at June 30, 2008.

6. FINANCIAL INSTRUMENTS

(a) Fair Value

The fair values of financial instruments have been estimated on the basis of available market quotations or the use of various valuation techniques, such as present value of future cash flows. However, the methods and assumptions followed to disclose fair values are inherently judgmental. Thus, estimated fair values do not necessarily reflect amounts that would be received or paid in case of immediate settlement of these instruments. The Company has classified its cash as held-for-trading and measures it at fair value. Accounts receivable, revenue in excess and certain other long-term assets are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, long-term debt, capital lease obligations and certain other long term liabilities are classified as other financial liabilities and are recorded at amortized cost.

The use of different estimations, methodologies and assumptions could have a material effect on the estimated fair value amounts. The methodologies used are as follows:

- cash, accounts receivables, revenue in excess of billings, accounts payables, billings in excess of revenue: due to the short-term nature of these balances, the recorded amounts approximate fair value;
- other long-term financial debt: the fair values of long-term debt were determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using a rate which takes into account the Company's spread for credit risk at year-end for similar types of debt arrangements;
- derivative instruments: the fair values of foreign exchange derivatives were calculated using market prices that the Company would pay or receive to settle the related arrangements.

(b) Risk Management

The Company is exposed to a number of financial risks in the normal course of its business operations, including market risks resulting from fluctuations in interest rates and foreign currency exchange rates, as well as credit and liquidity risks. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior period.

(i) Interest Rate Risk

The Company is exposed to interest rate risk as changes in market interest rates affect the fair values of fixed-interest rate liabilities and the cash flows of both floating-interest rate liabilities and future borrowings. Capital leases and finance contracts all bear interest at fixed rates. Drawings on the demand credit facilities bear interest at floating rates. The Company regularly reviews the mix of floating and fixed rate debt for consistency with its financing objectives. Floating rate debt exposes the Company to fluctuations in short-term interest rates, while fixed rate debt exposes the Company to future interest rate movements upon refinancing the debt at maturity. The Company minimizes its interest rate risk by balancing its portfolio of fixed and floating rate debt as well as managing the term to maturity of its debt portfolio.

At June 30, 2008, the increase or decrease in earnings before income taxes for each one percent change in interest rates on floating rate debt would amount to \$1,840 (2007 - \$1,350).

(ii) Foreign Currency Exchange Risk

The Company is exposed to foreign currency exchange risk as changes in the foreign currency exchange affect the future cash flows of certain financial instruments. The Company has foreign currency exchange risk that arises from its long-term debt of which a portion is in the form of U.S. dollar denominated credit facilities. The Company's self-sustaining operations also expose the Company to fluctuations in foreign currency exchange rates, predominantly U.S. dollars. These fluctuations are recorded as currency translation adjustments in other comprehensive income.

As at June 30, 2008, holding all other variables constant, a \$0.01 strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net earnings by approximately \$800 and would result in an decrease (increase) of \$1,700 to other comprehensive earnings.

(iii) Credit Risk

The Company is exposed to credit risk, primarily through its accounts receivables and revenues in excess of billings, from its counterparties' abilities to fulfill their obligations to the Company. The Company manages this risk through the establishment of credit policies and limits, which are applied in the selection of counterparties, and through ongoing management review of all receivable balances past due with the objective of identifying matters that could potentially delay the collection of funds at an early stage. The Company carries adequate provisions for expected losses arising from credit risk associated with all financial assets. These provisions have not been material. The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements.

The aging of trade receivables at the reporting date was:

| <i>(unaudited)</i> | June 30, 2008 | |
|---|---------------|----------------|
| <i>(in thousands of Canadian dollars)</i> | | Gross |
| Current | \$ | 212,153 |
| 30 - 60 days | | 40,215 |
| 61 - 90 days | | 25,636 |
| 91 - 120 days | | 11,836 |
| Greater than 120 days | | 20,077 |
| Total Trade Receivables | | 309,916 |
| | | |
| Other receivables | | 20,834 |
| Total Accounts Receivable | \$ | 330,750 |

The Company has recorded an allowance for doubtful accounts of \$2,220 as at June 30, 2008. The movement in the allowance for doubtful accounts specific to trade receivables during the period is as follows:

(unaudited)

(in thousands of Canadian dollars)

| For the three months ended | June 30, 2008 |
|------------------------------|---------------|
| Balance, beginning of period | \$ 1,804 |
| Additional Allowance | 470 |
| Receivable written off | 54 |
| Balance, end of period | \$ 2,220 |

(iv) Liquidity Risk

The Company is exposed to liquidity risk from the potential inability to generate or obtain sufficient cash and cash equivalents in a timely and cost-effective manner to discharge its financial liabilities as they come due. The Company manages liquidity risk by forecasting cash flows to identify financing requirements, by maintaining committed and demand credit facilities, and by maintaining access to additional financing at competitive rates through capital markets and highly rated financial institutions. Any debt issued by the Company is managed in accordance with specified liquidity and maturity profiles. At June 30, 2008 the Company had un-drawn and committed bank borrowing facilities of \$76,700.

Maximum available credit under the Canadian and United States revolving operating loans is \$210,000, Canadian and \$18,000 U.S., respectively and \$165,000 Canadian and \$73,000 U.S. under the term loans. The Company has the ability to request the expansion of the borrowing capacity under the revolving operating loans to \$250,000 Canadian and expand borrowing capacity to a maximum of \$325,000 Canadian under the term loans with the approval of the lenders.

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. The Company has also provided a general assignment of book debts, a first charge over all real property assets, pledged all shares of its subsidiaries and an assignment of insurance. The credit facilities require the Company to meet certain covenants. The Company was in compliance with these covenants at June 30, 2008 and 2007. In certain circumstances, leasing companies have finance contracts which take precedence over the General Security Agreement with the financial institutions. Waivers have been placed as required in these situations.

The Company believes that internally generated cash flows, supplemented by borrowings, if necessary, will be sufficient to cover its normal operating and capital expenditures.

(in thousands of Canadian dollars)

| | Maturity less than 1 year | Maturity 1 – 3 years | Maturity 3 – 5 years | Maturity in excess of 5 years | Total |
|--|------------------------------|-------------------------|-------------------------|-------------------------------------|------------|
| Long-term debt | \$ 15,909 | \$ 259,297 | \$ 67,113 | \$ 64,723 | \$ 407,042 |
| Accounts payable and accrued liabilities | 189,131 | - | - | - | 189,131 |
| Total | \$ 205,040 | \$ 259,297 | \$ 67,113 | \$ 64,723 | \$ 596,173 |

7. SEGMENTED INFORMATION

As at June 30, 2008, the Company is operating within five reportable business segments, each of which are distinct business units that offer different products and services within the oil and natural gas industry. These reportable business segments include Production Services, Facility Infrastructure, Oilfield Transportation, Tubular Management and Manufacturing, and Plant Maintenance and Other.

During the fourth quarter of 2007, the Plant Maintenance and Other segment was reorganized to include the operations of Mackenzie Valley Construction Ltd., a 49% joint venture and S.R.P. North Ventures Ltd., a 33 1/3% joint venture. The Company has reclassified its segment disclosures to include these new business segments and has provided comparative information where applicable.

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

The Facility Infrastructure operating 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.

The Oilfield Transportation operating segment includes specialized hauling of oversized and over-weight modules, vessels, equipment and machinery, tank truck services, drilling rig moving and heavy hauling of associated drilling rig equipment, heavy construction equipment, service rig and light hauling services to and from drilling site locations.

The Tubular Management and Manufacturing operating segment includes inspection, threading, refurbishment and bucking of drill and line pipe, manufacturing of high density pipe, the assembly of oil and natural gas process piping and equipment design, manufacturing and distribution of oilfield production equipment.

The Plant Maintenance and Other operating segment provides operations, oil and gas production and maintenance, construction, logistical oilfield services, asset management and project management services to the North American energy sector.

The Company allocates resources based on revenue and evaluates performance of operating segments based on earnings before interest, taxes, depreciation, amortization and stock based compensation.

(unaudited)

(in thousands of Canadian dollars)

| | Production | Facility | Oilfield | Tubular | Plant | |
|---|------------|----------------|----------------|----------------------------|---------------------|------------|
| Three months ended June 30, 2008 | Services | Infrastructure | Transportation | Management & Manufacturing | Maintenance & Other | Total |
| Revenue | \$ 248,027 | \$ 120,438 | \$ 17,934 | \$ 43,871 | \$ 101,443 | \$ 531,713 |
| EBITDA ¹ | 20,737 | 10,339 | (10,658) | 3,570 | 7,109 | 31,097 |
| Amortization | 7,542 | 2,794 | 4,830 | 1,366 | 279 | 16,811 |
| Capital expenditures | 4,529 | 1,519 | 956 | 685 | 1,509 | 9,198 |
| Additions to goodwill | (191) | - | - | - | - | (191) |
| Goodwill | 178,501 | 28,900 | 146,212 | 43,264 | - | 396,877 |
| Total assets | 681,470 | 317,399 | 351,602 | 143,894 | 49,025 | 1,543,390 |

Three months ended June 30, 2007

| | | | | | | |
|-----------------------|------------|-----------|-----------|-----------|----------|------------|
| Revenue | \$ 259,711 | \$ 95,132 | \$ 14,733 | \$ 48,134 | \$ 4,078 | \$ 421,788 |
| EBITDA ¹ | 27,288 | 9,620 | (9,200) | 7,879 | (53) | 35,534 |
| Amortization | 8,107 | 2,109 | 4,701 | 2,586 | 28 | 17,531 |
| Capital expenditures | 11,326 | 2,031 | 5,432 | 3,471 | 1,144 | 23,404 |
| Additions to goodwill | (1,954) | - | 8 | 2 | - | (1,944) |
| Goodwill | 182,837 | 28,900 | 146,067 | 46,332 | - | 404,136 |
| Total assets | 718,658 | 281,804 | 324,033 | 155,171 | 6,770 | 1,486,436 |

Six months ended June 30, 2008

| | | | | | | |
|-----------------------|------------|------------|-----------|-----------|------------|--------------|
| Revenue | \$ 518,006 | \$ 221,489 | \$ 76,800 | \$ 90,972 | \$ 140,030 | \$ 1,047,297 |
| EBITDA ¹ | 48,236 | 18,367 | (678) | 8,925 | 9,927 | 84,777 |
| Amortization | 15,371 | 5,093 | 10,588 | 2,975 | 581 | 34,608 |
| Capital expenditures | 5,751 | 1,888 | 3,725 | 1,020 | 3,281 | 15,665 |
| Additions to goodwill | 627 | - | - | - | - | 627 |
| Goodwill | 178,501 | 28,900 | 146,212 | 43,264 | - | 396,877 |
| Total assets | 681,470 | 317,399 | 351,602 | 143,894 | 49,025 | 1,543,390 |

Six months ended June 30, 2007

| | | | | | | |
|-----------------------|------------|------------|-----------|------------|----------|------------|
| Revenue | \$ 536,407 | \$ 200,666 | \$ 74,931 | \$ 103,336 | \$ 9,142 | \$ 924,482 |
| EBITDA ¹ | 55,804 | 16,158 | 4,644 | 18,271 | 266 | 95,143 |
| Amortization | 15,701 | 4,095 | 10,148 | 5,115 | 246 | 35,305 |
| Capital expenditures | 17,182 | 3,793 | 11,200 | 5,936 | 1,212 | 39,323 |
| Additions to goodwill | (2,478) | - | 41 | 10 | - | (2,427) |
| Goodwill | 182,836 | 28,900 | 146,067 | 46,332 | - | 404,135 |
| Total assets | 718,658 | 281,804 | 324,033 | 155,171 | 6,770 | 1,486,436 |

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

(unaudited)

(in thousands of Canadian dollars)

| Three months ended June 30, 2008 | | Canada | | United States | | Total |
|---|----|-----------|----|---------------|----|-----------|
| Revenue | \$ | 398,957 | \$ | 132,756 | \$ | 531,713 |
| Property, plant and equipment | | 393,123 | | 50,039 | | 443,162 |
| Goodwill | | 373,225 | | 23,652 | | 396,877 |
| Total assets | | 1,404,799 | | 138,591 | | 1,543,390 |
| <hr/> | | | | | | |
| Three months ended June 30, 2007 | | Canada | | United States | | Total |
| Revenue | \$ | 296,550 | \$ | 125,238 | \$ | 421,788 |
| Property, plant and equipment | | 405,073 | | 48,500 | | 453,573 |
| Goodwill | | 379,390 | | 24,746 | | 404,136 |
| Total assets | | 1,370,662 | | 115,774 | | 1,486,436 |
| <hr/> | | | | | | |
| Six months ended June 30, 2008 | | Canada | | United States | | Total |
| Revenue | \$ | 802,213 | \$ | 245,084 | \$ | 1,047,297 |
| Property, plant and equipment | | 393,123 | | 50,039 | | 443,162 |
| Goodwill | | 373,225 | | 23,652 | | 396,877 |
| Total assets | | 1,404,799 | | 138,591 | | 1,543,390 |
| <hr/> | | | | | | |
| Six months ended June 30, 2007 | | Canada | | United States | | Total |
| Revenue | \$ | 684,635 | \$ | 239,847 | \$ | 924,482 |
| Property, plant and equipment | | 405,073 | | 48,500 | | 453,573 |
| Goodwill | | 379,390 | | 24,746 | | 404,136 |
| Total assets | | 1,370,662 | | 115,774 | | 1,486,436 |

8. COMMITMENTS AND CONTINGENCIES

At June 30, 2008, the Company was involved in various legal claims related to the normal course of operations. Management believes that it has adequately provided for these legal claims.

9. COMPARATIVE FIGURES

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

Directors

John Geddes

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

W.J. (Bill) Lingard

President and
Chief Executive Officer
Flint Energy Services Ltd.
Calgary, Alberta

John Bates

President
Flint Resources Company,
LLC
Tulsa, Oklahoma

Stuart O'Connor

President
Timber Ridge Capital Ltd.
Calgary, Alberta

Douglas E. Swanson

Retired
Former, CEO
Oil States International Inc.
Houston, Texas

T.D. (Terry) Freeman

Managing Director
Northern Plains
Investment Growth Fund
Edmonton, Alberta

C. Douglas Annable

President
CD Consulting Inc.
Calgary, Alberta

Philip C. Lachambre

President
PCML Consulting Inc.
Edmonton, Alberta

Officers

W.J. (Bill) Lingard

President and
Chief Executive Officer

Paul M. Boechler

Chief Financial Officer
and Corporate Secretary

Wayne Shaw

Senior Vice President,
Infrastructure Services

Keith Lambert

Senior Vice President,
Production Services

Bryce Satter

President, Flint Energy
Services Inc. (U.S.A.)

Shawn Carry

Vice President, Transco
Energy Services Ltd.

Bob Henderson

Vice President,
Human Resources

Bankers

Bank of Montreal

Auditors

KPMG LLP

Legal Counsel

Bennett Jones LLP
Edmonton and Calgary,
Alberta

Transfer Agent and Registrar

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

Stock Exchange Listing

Toronto Stock Exchange
(TSX)
Common Shares – FES

Corporate Head Office

700, 300–5th Ave. S.W.
Calgary, Alberta, Canada
T2P 3C4
Tel: 403-218-7100
Toll Free: 1-877-215-5499
Fax: 403-215-5445
www.flintenergy.com