



ANNUAL INFORMATION FORM

Year ended December 31, 2007

March 29, 2008

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FORWARD LOOKING STATEMENTS

This AIF contains certain statements that are not historical in nature and are forward-looking statements. These forward-looking statements, which include statements relating to Xtreme Coil's plans, strategies, budgets, capital expenditures, objectives, expectations, intentions and resources, are not guarantees as to our future results since there are inherent difficulties in predicting future results. The use of any of the words: "anticipate", "expect", "project", "may", "will", "should", "believe", "estimate", "forecast", "intends", and similar expressions identify forward-looking statements, which include statements relating to pending and proposed projects and business activities. Such statements are subject to certain risks, uncertainties and assumptions pertaining to operating performance, regulatory parameters, weather and economic conditions and, in the case of pending and proposed projects, risks relating to design and construction, regulatory processes, obtaining financing and performance of other parties, including partners, contractors and suppliers. Accordingly, actual results could differ materially from those described in forward-looking statements. These statements speak only as of the date of this AIF or as of the date specified in the documents incorporated by reference into this AIF, as the case may be.

In particular, this AIF contains forward-looking statements pertaining to the following:

- capital expenditure programs;
- projections of market prices and costs;
- expectations regarding the ability to raise capital;
- treatment under governmental regulatory regimes;
- projections of market prices and costs;
- factors upon which the Corporation will decide whether or not to undertake a specific course of operational action or expansion;
- world-wide supply and demand for oilfield drilling services; and
- general economic conditions in the United States, Canada and abroad.

The forward looking statements contained in this AIF are based on certain factors and assumptions regarding:

- expected growth in drilling fleet;
- results of operations in the United States and Canada;
- volatility in rates of exchange for currency;
- level of crude oil and natural gas drilling activity in the United States, Canada and other international regions;
- operational performance of new and existing drilling rigs;
- the provision of a credit facility by lenders and the terms thereof;
- business prospects and opportunities for Xtreme Coil's new drilling technology in North America and internationally;
- the ability to market contract drilling services successfully to current and new customers;
- the ability to obtain equipment from suppliers to continue our rig build programs;
- the ability to construct property and equipment according to anticipated schedules and budgets;
- the impact of competition in the drilling services sector and from companies developing competing technologies; and
- the ability to attract and retain skilled employees.

While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

Actual results could differ materially from those expressed or implied in these forward-looking statements as a result certain factors, including the risk factors set forth below and elsewhere in this annual information form:

- liabilities inherent in our contract drilling operations;
- uncertainties associated with estimating crude oil and natural gas reserves and prices and sector activity levels;
- competition for, among other things, capital, acquisitions, rig components and skilled personnel;
- incorrect assessments of the value of acquisitions;
- technical and operational problems;
- competition with respect to drilling services and other new technologies in the drilling services sector;

- fluctuations in foreign exchange or interest rates and stock market volatility; and
- the other factors discussed under "Risk Factors" herein.

These factors should not be construed as exhaustive. The forward-looking statements contained in this AIF are expressly qualified in their entirety by this cautionary statement and speak only as of the date hereof. We do not undertake any obligation, or intend, to publicly update or to revise any forward-looking statements except as required pursuant to applicable securities laws.

Financial outlook information contained in this AIF about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this AIF should not be used for purposes other than for which it is disclosed herein.

CERTAIN REFERENCES

In this AIF, unless the context otherwise requires, references to "we", "us", "our" or similar terms, or to "Xtreme Coil" or the "Corporation" refer to Xtreme Coil Drilling Corp. (either alone or together with its subsidiaries).

CERTAIN DEFINITIONS

In this annual information form, the following words and phrases have the following meanings, unless the context otherwise requires.

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**AIF**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this annual information form of the Corporation;

"**Amalgamation**" means the amalgamation of Norquay and Xtreme Coil pursuant to sections 181 through 183 of the ABCA and in accordance with TSXV Policies in respect of "qualifying transactions" on the terms and conditions set forth in the Amalgamation Agreement;

"**Amalgamation Agreement**" means the amended and restated amalgamation agreement dated March 20, 2006 between Xtreme Coil and Norquay relating to the amalgamation of the two companies to form "Xtreme Coil Drilling Corp.";

"**Common Shares**" means common shares in the capital of the Corporation;

"**Income Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1. (5th Supp), as amended, including the regulations promulgated thereunder;

"**Norquay**" means Norquay Capital Ltd., a company incorporated under the laws of the Province of Alberta and subsequently amalgamated on May 1, 2006 with Xtreme Coil to form "Xtreme Coil Drilling Corp.";

"**Norquay Agent Option**" means the agent options to purchase common shares of Norquay, issued to Canaccord Capital Corporation pursuant to Norquay's initial public offering;

"**Norquay Shares**" means the common shares of Norquay;

"**Peters & Co.**" means Peters & Co. Limited;

"**Subsidiary**" means, in relation to any person, any body corporate, partnership, joint venture, association or other entity of which more than 50 percent of the total voting power of shares or units of ownership or beneficial interest

entitled to vote in the election of directors (or members of a comparable governing body) is owned or controlled, directly or indirectly, by such person;

"**Transfer Agent**" means Valiant Trust Company;

"**TSX**" means the Toronto Stock Exchange;

"**TSXV**" means the TSX Venture Exchange;

"**TSXV Policies**" means the rules, regulations and policies of the TSXV in effect as of the date hereof; and

"**Xtreme Coil**" or the "**Corporation**" means Xtreme Coil Drilling Corp., a company amalgamated under the laws of the Province of Alberta.

XTREME COIL DRILLING CORP.

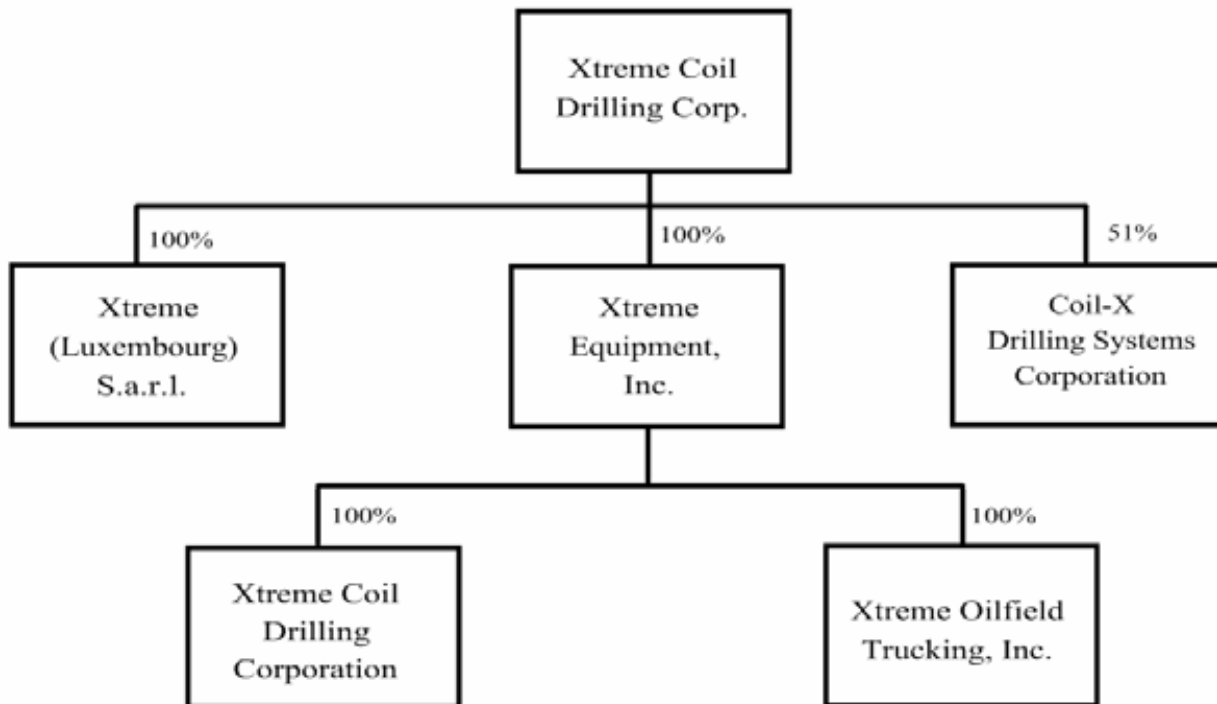
General

Xtreme Coil Drilling Corp. was formed by the Amalgamation of Xtreme Coil Drilling Corp. and Norquay on May 1, 2006 pursuant to the provisions of the ABCA. The Amalgamation was carried out pursuant to the terms of the Amalgamation Agreement and was approved at meetings of the shareholders of each entity held on April 20, 2006.

Xtreme Coil's principal office is located at 1402, 500 Fourth Avenue SW, Calgary, Alberta, T2P 2V6 and its registered office is located at 4300, 888 Third Street SW, Calgary, AB T2P 5C5

Intercorporate Relationships

The following diagram sets out the current organizational structure of the Corporation, as well as the name, the percentage of voting securities owned, directly or indirectly, by the Corporation and the jurisdiction of incorporation, continuance or formation of the Corporation's material subsidiaries either, direct and indirect, as at the date hereof.



GENERAL DEVELOPMENT OF THE BUSINESS

Xtreme Coil is a drilling contractor using Coil Over Top Drive[®] ("COTD[™]") drilling rigs, which employ new proprietary patented and patent-pending coiled tubing drilling designs and technologies. Xtreme Coil routinely undertakes patent applications to protect new drilling and related equipment designs and technologies in the United States, Canada and other international jurisdictions. In addition to their coil capabilities, COTD[™] drilling rigs can drill with conventional jointed drill pipe. Xtreme Coil hires third parties under contract to build coiled tubing drilling rigs. On completion of the coiled tubing drilling rigs, Xtreme Coil operates the rigs under contract to crude oil and natural gas exploration and production ("E&P") companies. Xtreme Coil's first drilling rig commenced field operations in Alberta in July 2006. Xtreme Coil's operations currently focus on both the United States and western Canada, with the majority of operations planned for the United States. Xtreme Coil is exploring several opportunities outside the United States and Canada.

As at December 31, 2007, nine COTD[™] rigs were completed and deployed (seven rigs in the United States and two rigs in Canada), two more rigs were completed and being commissioned, and seven rigs were in various stages of construction.

Three Year History

On May 1, 2006, Xtreme Coil completed the Amalgamation which constituted Norquay's "qualifying transaction" for the purposes of the TSXV Policies. The amalgamated entity continues operating as Xtreme Coil Drilling Corp. On May 4, 2006, Common Shares commenced trading on the TSXV under the symbol "XDC". On September 5, 2006, the Corporation's Common Shares began trading on the TSX under the symbol "XDC" and were de-listed from the TSXV.

On February 6, 2006, Xtreme Coil entered into a credit facility agreement (the "**Credit Agreement**") for provision of a committed 364-day extendible revolving loan facility of \$50 million and an operating line of credit of \$5 million which became effective March 16, 2006. In March 2007, the Corporation's revolving loan facility was extended for a further 364 days. In March 2008, the revolving facility was again extended for a further 364 days. As at December 31, 2007, Xtreme Coil had drawn \$35 million on these facilities.

Xtreme Coil has made commitments to numerous vendors primarily related to providing goods and services to complete drilling rigs under construction. As at December 31, 2007, the aggregate value of these commitments was \$20.5 million.

On December 19, 2006, the Corporation entered into a strategic corporate joint venture with Shell Technology Ventures B.V. ("**STV**") whereby the Corporation and STV formed a new corporate entity, Coil-X Drilling Systems Corporation ("**Coil-X**"), owned 51 percent by the Xtreme Coil and 49 percent by STV, to build and deploy several patent pending designs of coiled tubing drilling rigs for contracting to existing and potential crude oil and natural gas E&P customers throughout the United States and Canada. Under this joint venture agreement, Coil-X may also deploy Xtreme Coil drilling rigs to jurisdictions outside of North America.

On December 19, 2006, the Corporation undertook a private placement financing with STV whereby STV subscribed for 942,705 Common Shares of the Corporation at a price of \$10.90 per common share and 2,092,574 common share purchase warrants exercisable for 2,092,574 Common Shares at a price of \$16.00 per common share. The warrants issued to STV under the private placement are exercisable at any time after the occurrence of certain vesting events tied to Coil-X operational milestones which include building five coiled tubing drilling rigs prior to December 19, 2009. As at March 29, 2008, the STV warrants had not vested. Under the private placement, STV was granted the right to maintain its equity interest Xtreme Coil by participating in the Corporation's future financings.

On February 15, 2007, the Corporation completed a brokered private placement of 5,200,000 Common Shares at a price of \$10.50 per Common Share and a non-brokered private placement with STV for 160,000 Common Shares at a price of \$10.50 per common share.

In March 2007, the United States Patent and Trademark Office issued Xtreme Coil its first two patents (No. 7,182,140 and No. 7,185,708), both entitled "Coiled Tubing/Top Drive Rig and Method", relating to Xtreme Coil's tilting mast, a key design feature of the XTC 200 series of coiled tubing drilling rigs. Xtreme Coil has more than 30

further patent applications pending in the United States, Canada and other jurisdictions. These patent applications cover our coiled tubing drilling and transportation technologies, including equipment and methods for coiled tubing drilling to deeper horizons of 3,000 meters (10,000 feet) or more. The receipt of Xtreme Coil's first patents was a vesting provision for one million previously issued performance warrants. Subsequently, holders of these performance warrants exercised all 1,000,000 warrants at a price of \$0.01 per warrant.

On April 24, 2007, Xtreme Coil incorporated a wholly owned subsidiary, Xtreme Oilfield Trucking, Inc. in the state of Wyoming, USA. This subsidiary's operations and truck fleet are based in Cheyenne, Wyoming.

We market the majority of Xtreme Coil's new drilling rigs in the United States and Canada with the objective of achieving long-term contracts. Xtreme Coil has signed long-term contracts for six rigs with two major E&P companies in the United States. Contract negotiations with other E&P companies are ongoing.

In January 2008 Xtreme Coil entered into an agreement with our existing lender pursuant to which the lender has agreed to act as best efforts agent and arranger of new credit facilities on a syndicated basis. Currently, the new credit facilities are being documented and we expect closing to occur early in 2008 second quarter. The new credit facilities are expected to include a \$15 million revolving operating line and a revolving extendable facility, initially at \$70 million, to be reduced to \$60 million by December 31, 2008.

Significant Acquisitions and Dispositions

Xtreme Coil did not complete any significant dispositions or significant acquisitions for which disclosure is required under Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* within or since the end of the most recently completed financial year.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

General

Xtreme Coil is a drilling services contractor utilizing proprietary COTD™ rigs intended for deeper drilling with larger diameter coiled tubing. Xtreme Coil has developed new patented and patent-pending coiled tubing technologies and designs. In addition to their larger coil capabilities, Xtreme Coil's drilling rigs feature rapid transition between drilling with 3-1/2 inch coiled tubing and drilling with conventional jointed drill pipe. These COTD™ rigs use larger injectors that can accommodate the heavier hook loads required for deeper drilling. One aspect of Xtreme Coil's new designs focuses on developing transportation technologies that mobilize drilling rig components into fewer loads to achieve faster rig-up and rig-out times. Xtreme Coil is currently building drilling rigs under contract with several third parties. As Xtreme Coil builds and commissions new rigs, we negotiate contracts with E&P companies for drilling rig deployment to field operations. Xtreme Coil currently focuses on the drilling market in both the United States and western Canada, with the majority of operations planned for the United States. During 2007, Xtreme Coil began discussions with parties regarding drilling opportunities outside North America.

Xtreme Coil's corporate and head office is in Calgary, Alberta. Most new drilling rig construction, assembly and commissioning takes place in Nisku, Alberta. Xtreme Coil has United States field offices in Casper and Cheyenne, Wyoming. Coil-X operates out of Houston, Texas.

Operations

Xtreme Coil's core business focuses on the design, manufacture and operation of coiled tubing drilling rigs. Xtreme Coil has six rig designs of which five have been built. Xtreme Coil has three models of XTC 200, a single trailer ("ST") and a double trailer ("DT") and a DT^{Plus} which incorporates the double trailer and a 200,000 pound injector. The ST design was developed originally for the Canadian market while the DT and the DT^{Plus} were specifically developed for contract drilling operations in the United States. During 2007, Xtreme Coil designed and built the first XTC 200 DT^{Plus} and entered into a sales agreement with Coil-X for this rig's deployment to west Texas in the United States in the first quarter of 2008. During 2007, Xtreme Coil built several XTC 300 and XTC 400 COTD™ rigs. These larger rigs were deployed to the United States for major E&P companies. Currently, we operate the majority of Xtreme Coil's rigs in the United States market because of higher day rates and the greater number of days the rigs can work. In Canada, drilling rigs can operate approximately 250 days whereas, in the United States, operating days can reach 365 days. (see "Seasonality" and "Cyclical and Seasonal Nature of Industry") Currently Xtreme Coil has two rigs in Canada and eight rigs in the United States. In the United States, Xtreme Coil contracts

to drill in deeper formations from approximately 1,500 to 3,000 metres (approximately 5,000 to 10,000 feet). Xtreme Coil's XTC 300 and 400 rigs are designed for deeper zones and Xtreme Coil believes its competitive advantage is using larger coiled tubing to reach deeper horizons.

Operational Capacity

Xtreme Coil's current fleet of two rigs in Canada represents about 0.2 percent of the number of drilling rigs currently available in the Canadian market. Xtreme Coil's current fleet of nine rigs in the United States represents about 0.5 percent of the number of rigs that have been operating during 2007 in the United States. If Xtreme Coil deploys the seven rigs currently under construction to the United States, our fleet would comprise less than one percent of the number of land drilling rigs currently operating in the United States market.

Sources, Pricing and Availability of Raw Materials, Component Parts and Finished Products

Xtreme Coil's ability to compete and expand operations depends on having access, at a reasonable cost, to equipment and components utilized in the manufacture of its coiled tubing drilling rigs. From time to time, Xtreme Coil makes purchases of certain drilling equipment and components from various suppliers inside and outside the crude oil and natural gas services industry. Xtreme Coil has no assurance that sources for drilling equipment and components will remain available and any lack of access to such equipment and components could impair Xtreme Coil's ability to offer certain drilling services. We source materials and components based on industry standard terms and pricing. If Xtreme Coil's current suppliers are unable to provide the necessary materials and components, or otherwise fail to deliver products of the quality or in the quantities required, resulting delays in the construction of new rigs or the completion of rigs currently in production could have a material adverse effect on Xtreme Coil's business, results of operations and financial condition. See "Risk Factors – Sources, Pricing and Availability of Equipment and Parts".

Business Climate and Market for Services

In North America, and elsewhere, coiled tubing drilling technology may enable E&P companies to reduce their finding costs by reducing average drilling times. Coil rigs are intrinsically safer than conventional rigs, a major focus for E&P companies. Xtreme Coil provides new equipment built with leading edge technologies, many intended to reduce overall drilling time and costs. This new drilling and related equipment is efficient from an environmental perspective and incorporates some of the most fuel efficient engines currently available in the market. In North America, particularly in the United States, a large percentage of the existing drilling fleet is comprised of older rigs which, primarily because of their age, may be less efficient and less safe than Xtreme Coil's new fleet of coiled tubing drilling rigs. Generally, Xtreme Coil's rigs require a smaller footprint than conventional rigs because of fewer loads to move which minimizes surface disturbance. The XTC 300 and XTC 400 have integral skidding systems to move the rigs up to one hundred and twenty feet on the same well site to facilitate multi-well drilling from a single pad without moving ancillary equipment or facilities used during drilling operations. Xtreme Coil's business plan is based on the assumption that new COTD™ drilling rigs have the potential to displace a proportionate number of older conventional rigs in the United States.

In terms of the specific benefits of coiled tubing drilling versus conventional drilling, Xtreme Coil's management considers the primary benefits of coiled tubing drilling are: faster penetration rates and tripping than conventional rigs, potentially safer and more efficient operations and more environmentally-responsible operation and transportation. As an added benefit, COTD™ rigs can transition quickly between drilling with coiled tubing and conventional jointed drill pipe. During 2007, Xtreme Coil drilling rigs demonstrated their capability to drill deeper directional and "S" curve wells with coil.

Xtreme Coil's business objective is to become one of few companies in North America to successfully develop larger coiled tubing drilling technology. Xtreme Coil's proprietary technologies have broad application to under-balanced drilling applications, coal bed methane, re-entry and Steam Assisted Gravity Drainage ("SAGD") projects.

Revenues Generated by Categories of Principal Products

The following regions accounted for more than 15 percent of our total consolidated revenues from third parties for the applicable period.

Provision of contract drilling services	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
United States	86 percent	72 percent	–
Canada	14 percent	28 percent	–

Specialized Skill and Knowledge

Coiled tubing drilling technology has been developed, modified and refined over the past decade with improvements in technology, products and operating efficiency. Shallow drilling knowledge and expertise is well established in Canada. However, Xtreme Coil focuses on developing new techniques that use larger coiled tubing to drill to deeper horizons. As we encounter and resolve challenges in drilling with coiled tubing at new depths, Xtreme Coil applies for patents to protect new techniques and newly developed equipment. Employee expertise is increasing as we learn more about coiled tubing drilling and overcome challenges at depths below 2,000 metres (6,500 feet).

Intangible Property

In March 2007, the United States Patent and Trademark Office issued Xtreme Coil's first two patents. Xtreme Coil has more than 30 further patent applications filed in the United States, Canada and abroad for our coiled tubing drilling technology, rig designs, transportation systems and equipment and drilling methodologies. In some instances, we rely primarily on trade secrets and patent-applied-for expertise to maintain our competitive position. Xtreme Coil's strategy is to use its intellectual property to create barriers to entry by our competition. Xtreme Coil will continue to pursue a strategy of applying to patent all newly developed technologies. We expect Coil-X, the corporate joint venture entity with STV, will present opportunities to develop and access certain new technology through STV and its affiliates.

Cyclical and Seasonal Nature of Industry

In western Canada, crude oil and natural gas drilling activity is seasonal in nature. Normally, drilling activity peaks in the first and fourth quarters of the calendar year. The second quarter traditionally includes a period known as "spring break-up", where drilling operations are curtailed due to seasonal road bans (temporary prohibitions on road use for transporting heavy equipment) and restricted access to agricultural and crown or other lands. In the United States, drilling is possible most of the year in most regions unless weather or environmental protection matters constrain access to well sites. Generally, the United States is subject to fewer restrictions on access and offers more drilling days than Canada. Xtreme Coil contract drilling operations are focused in the United States market to take advantage of the additional operational days.

The drilling services business is affected by cycles in commodity prices for crude oil and natural gas. Commodity price affects E&P budgets resulting in changes in demand for drilling services and equipment. In the past year, Canada experienced a downturn in demand due, in particular, to lower natural gas prices which declined early in 2007 and recovered only marginally by the end of the year. Downward trending natural gas prices resulted in a decrease in drilling activity, especially for shallow natural gas projects. In Alberta, already reduced exploration and development budgets for the 2007 fall and winter drilling seasons, experienced further decreases when the provincial government announced their intention to increase royalties effective January 2009. (see "Risk Factors - New Alberta Royalty Framework"). The United States market was slower to react to lower natural prices although that market did experience some reduction in activity during 2007. Sluggish or dampened commodity prices can affect day rates.

Economic Dependence

Xtreme Coil has a number of major competitors in the coiled tubing segment of the drilling industry with significant market share and influence over product pricing which could impact Xtreme Coil's future corporate performance. Demand for coiled tubing drilling rigs designed and manufactured by Xtreme Coil directly depends on drilling activity in the United States and Canada which has historically shown significant fluctuations from year to year. In 2007, two E&P customers accounted for 66 percent of Xtreme Coil's revenue.

Changes to Contracts

Contracts in the drilling contract services industry are generally awarded on the basis of technical expertise, equipment requirements, price, equipment availability, and industry safety record. A competitive bid process is generally used to award drilling contracts. Bids are generally requested by E&P companies on a day-work basis. Under a day-work contract, a fixed rate is charged for each day the equipment and crew are in operation. Weakened demand for drilling services or rig performance issues could result in customers terminating or renegotiating contracts.

Competitive Conditions

Xtreme Coil's business success is connected, in large part, to the general health of the crude oil and natural gas industry in the United States and western Canada. Accordingly, in addition to the various federal, provincial, state and municipal regulations to which Xtreme Coil adheres in ongoing operations, our operations are also sensitive to industry conditions relating to the crude oil and natural gas industry, including land tenure, exploration, development, production, refining, transportation and marketing, imposed by legislation enacted by various levels of government and with respect to pricing and taxation of crude oil and natural gas by agreements among the jurisdictions in the United States or governments in Canada, Alberta, Saskatchewan, British Columbia.. All current legislation is a matter of public record and Xtreme Coil is unable to predict what additional legislation or amendments may be enacted.

Xtreme Coil provides contracted drilling services primarily to the field locations of E&P companies located in the United States and in western Canada. The drilling services sector in which the Corporation operates is highly competitive and, to be successful, Xtreme Coil must provide services that meet the specific needs of its customers at competitive prices. The principal competitive factors in the markets in which Xtreme Coil operates are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience and reputation for safety and price. Competitors, many of them larger than Xtreme Coil, offer similar services in all geographic regions in which Xtreme Coil operates. Xtreme Coil's success depends on establishing sufficient critical mass by building and deploying enough new COTD™ drilling rigs to secure an adequate market share of the drilling market in the United States, Canada and outside North America. (See "Risk Factors – Competition".)

Environmental Considerations

Historically, environmental protection requirements have not had a significant financial or operational effect on Xtreme Coil's capital expenditures, earnings or competitive position. Subject to any changes in current environmental protection legislation, Xtreme Coil does not presently anticipate environmental protection requirements will have a significant effect on such matters in 2008. The Corporation is exposed to potential environmental liability in connection with its own business. See "Risk Factors - Environmental Liability Risks".

Employees

As at December 31, 2007, Xtreme Coil employed approximately 215 full time, non-union employees. Xtreme Coil expects to add approximately 20 new employees for each new drilling rig deployed to the United States, as well as incremental additional support staff as we add COTD™ drilling rigs to Xtreme Coil's fleet. In Canada, we expect to add approximately 15 new employees for each new drilling rig deployed.

Risks of Foreign Operations

Xtreme Coil currently conducts drilling operations primarily in the United States. We design, construct, commission and operate our new COTD™ drilling rigs in Canada. We are subject to the risks associated with the United States drilling market differing from the market familiar to us in Canada. Such risks may include, and are not limited to, lack of access to materials and components and skilled workers, time delays associated with shipment of products and materials, and uncertainties related to the existence and application of foreign laws. In addition, because we conduct business in international markets, we are exposed to risks caused by fluctuations in currency exchange rates. See "Risk Factors – Risks of Foreign Operations".

Bankruptcy and Similar Procedures

There have been no proposed or actual bankruptcy, receivership or similar proceedings against the Corporation or any of our subsidiaries, or any voluntary receivership, bankruptcy or similar proceeding by Xtreme Coil, or any of our subsidiaries, since inception.

Social and Environmental Policies

The Board of Directors of Xtreme Coil has established a Health Safety and Environment Committee and has implemented policies and procedures relating to such matters for adherence by all directors, officers, employees and consultants of the Corporation.

Reorganizations

Xtreme Coil was formed by the Amalgamation involving Xtreme Coil Drilling Corp. and Norquay on May 1, 2006. Pursuant to the Amalgamation Agreement: (i) each Xtreme Coil (pre-Amalgamation) shareholder received one Common Share for each one pre-Amalgamation Xtreme Coil share held; (ii) each Norquay shareholder received one Common Share for each thirty Norquay Shares held; (iii) each outstanding convertible security of Xtreme Coil (pre-Amalgamation) was exchanged for one comparable convertible security of Xtreme Coil (post-Amalgamation); (iv) each outstanding Norquay Agent Option was exchanged for a comparable convertible security of Xtreme Coil (post-Amalgamation), pursuant to the exchange ratio; and (v) other than the Norquay Agent Options, each outstanding convertible security of Norquay was cancelled.

RISK FACTORS

Demand for Services

Demand for Xtreme Coil's coiled tubing drilling technologies and related services depend largely on the level of E&P companies' capital budgets dedicated to exploration, development and production activities in the United States and in western Canada. No assurance can be given that current crude oil and natural gas drilling activity will be maintained or increase or that demand for Xtreme Coil's drilling technology and services will reflect the level of drilling activity.

As well, exploration and development drilling activities depend, in large measure, on crude oil and natural gas prices, which may be affected by local or international factors or by government regulation, and cannot be accurately predicted. Changes in levels of drilling activity by our E&P customers are directly affected by fluctuations in world commodity prices which, in turn, directly affect Xtreme Coil's business. A decline in drilling activities could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Volatility of Industry Conditions

Demand, pricing and terms for oilfield services largely depend on the level of industry activity for United States and Canadian natural gas and, to a lesser extent, crude oil exploration and development. Industry conditions are influenced by numerous factors over which Xtreme Coil has no control, including: the level of crude oil and natural gas prices; expectations about future crude oil and natural gas prices; the cost of exploring for, producing and delivering crude oil and natural gas; the expected rates of decline of customers' current production; the discovery rates of new crude oil and natural gas reserves; available pipeline and other crude oil and natural gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of E&P companies to raise equity capital or debt financing.

Xtreme Coil's business and operational activities are directly affected by fluctuations in the levels of exploration, development and production activity carried on by our customers. Drilling activity in the United States and Canadian E&P industry is volatile. No assurance can be given that expected trends in E&P activity will continue or that demand for oilfield services will reflect the level of activity in the E&P sector. Any prolonged substantial reduction in crude oil and natural gas prices would likely affect crude oil and natural gas production levels and, therefore, affect the demand for services to E&P customers. A material decline in crude oil or natural gas prices or United States or Canadian industry activity could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the value of Xtreme Coil's Common Shares.

The impact on capital markets caused by investor uncertainty in the North American economy is currently affecting the crude oil and natural gas industry. Capital market volatility in Canada has also been affected by uncertainties

surrounding the economic impact of the October 31, 2006 proposals of the Government of Canada (the "**October 31, 2006 Proposals**") relating to income trusts (the "**Trusts**") and other "specified investment flow-through" entities.

Pursuant to the existing provisions of the *Income Tax Act* (Canada), to the extent that a Trust has any income for a taxation year after certain inclusions and deductions, the Trust will be permitted to deduct all amounts of income which are paid or become payable by it to unitholders in the year. Under the October 31, 2006 Proposals, Trusts will be liable for tax at a rate consistent with the taxes currently imposed on corporations commencing in January 2011, provided that the Trust experiences only "normal growth" and no "undue expansion" before then, in which case the tax could be imposed prior to the January 2011 deadline. Although the October 31, 2006 Proposals do not affect the method by which Xtreme Coil is taxed, they may have an impact on the ability of a Trust to purchase assets or services from companies such as Xtreme Coil as well as impacting the price that a Trust is willing to pay for such an acquisition) thereby affecting the Corporation's ability to be sold to a Trust.

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. Spring break-up during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of oilfield services. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. The duration of this period has a direct impact on the level of the Corporation's activities. Spring break-up occurs earlier in the year in south eastern Alberta than it does in northern Alberta and British Columbia. The timing and duration of spring break-up depend on weather patterns but generally occur in April and May. Certain crude oil and natural gas producing activities are inaccessible except during winter months, because of the swampy terrain surrounding drilling sites in these areas. Additionally, if an unseasonably warm winter prevents sufficient freezing, Xtreme Coil may not be able to access well sites and operating results and financial condition may, therefore, be adversely affected. The demand for oilfield services may also be affected by the severity of Canadian winters. In addition, excessively rainy periods, can delay equipment moves, thereby adversely affecting revenues. Seasonal factors and unpredictable weather patterns may lead to declines in the activity levels of E&P companies and corresponding declines in the demand for Xtreme Coil's goods and services and can create unpredictability in activity and utilization rates. This could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to crude oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Xtreme Coil's management cannot predict the impact of changing demand for crude oil and natural gas products. Any major changes may result in a reduction in the demand for drilling services and could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and therefore on the trading price of the Common Shares.

Sources, Pricing and Availability of Equipment and Equipment Parts

Xtreme Coil will source equipment and equipment parts from a variety of suppliers, most of whom are located in Canada and the United States. If any of Xtreme Coil's suppliers are unable to provide the necessary equipment or parts or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services, or in the time required to find new suppliers, could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Technology

Xtreme Coil's equipment includes some technologies which have not been proven in an actual field service environment or have only been operating in the field for a limited period of time. The effectiveness and safety of these technologies in field operations upon implementation or over the long-term, as the case may be, cannot be assured. Competing technologies could prove more effective than those used by Xtreme Coil. In addition, certain patents applied-for may not be issued. There could also be alleged infringements on proprietary technologies levelled by Xtreme Coil against third parties or against Xtreme Coil by third parties. Any of the foregoing could result in lost revenues, significant legal costs, and other damages and costs which could have a material adverse

effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Government Regulation

Xtreme Coil's operations are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in drilling operations and the transportation of materials and equipment provided to clients. Compliance with, breaches of, or changes to such laws, regulations and guidelines could have a material adverse effect.

Operating Risks and Insurance

Xtreme Coil's drilling operations are subject to hazards inherent in the crude oil and natural gas industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to crude oil and natural gas formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These risks could expose Xtreme Coil to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

Management continuously monitors Xtreme Coil's activities for quality control and safety. However, there are no assurances that Xtreme Coil's safety procedures will always prevent such damages. Although Xtreme Coil will maintain insurance coverage management believes to be adequate and customary within the drilling services industry, there can be no assurance that such insurance will be adequate to cover Xtreme Coil's liabilities. In addition, there can be no assurance that Xtreme Coil will be able to maintain adequate insurance in the future at reasonable and commercially justifiable rates. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by Xtreme Coil, or a claim at a time when the Corporation is unable to obtain liability insurance, could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Key Personnel

The successful operation of Xtreme Coil's business will depend on the abilities, expertise, judgment, discretion, integrity and good faith of Xtreme Coil's executive officers, general managers, employees and consultants. In addition, the ability of management to expand Xtreme Coil's services will depend on our ability to attract qualified personnel as needed. Demand for skilled oilfield employees is high, and supply is limited. The unexpected loss of Xtreme Coil's key personnel, or the inability to retain or recruit skilled personnel, could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Competition

Xtreme Coil provides oilfield drilling and related services primarily to field operations of E&P companies located in the United States and western Canada. The oilfield services business in which Xtreme Coil operates is highly competitive. To be successful, we must provide services that meet specific needs of clients at competitive prices. The principal competitive factors in the markets where Xtreme Coil operates are service quality and availability, reliability and performance of equipment used to provide its services, technical knowledge and experience and reputation for safety and price. Xtreme Coil competes with several regional competitors that are both smaller and larger. These competitors offer similar services in all geographic regions where Xtreme Coil operates. As a result of competition, Xtreme Coil may be unable to continue to provide its present services or to acquire additional business opportunities which could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Reduced levels of activity in the crude oil and natural gas industry can intensify competition and result in lower revenue to Xtreme Coil. Variations in E&P corporate expenditure budgets, which are directly affected by fluctuations in commodity prices, the cyclical nature and competitiveness of the crude oil and natural gas industry and governmental regulation, will have an affect on Xtreme Coil's ability to generate revenue and earnings.

Credit Risk

Xtreme Coil's accounts receivable are, and will be, with customers involved in the crude oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. In addition, Xtreme Coil's accounts receivable is heavily concentrated with a small number of customers. Collection of these receivables could be influenced by economic factors affecting the crude oil and natural gas industry. Any inability of Xtreme Coil to collect these accounts receivable could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Conflicts of Interest

Certain of the directors and officers of Xtreme Coil are also directors and officers of other E&P and crude oil and natural gas service companies, and conflicts of interest may arise between their duties as officers and directors of Xtreme Coil and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to, such other procedures and remedies as apply under the ABCA.

There may be situations in which the interests of Xtreme Coil's directors, management, and consultants may conflict with those of the Corporation. Certain of these individuals are not engaged by Xtreme Coil on a full-time basis and are currently involved, and will continue to be involved, in other entities, businesses and activities, some of which are described herein and all of which will place varying and conflicting demands on their time and attention. Furthermore, some such conflicts may result in an individual being in a direct conflict of interest position in relation to Xtreme Coil. Any conflicts will be resolved in accordance with the provisions of the ABCA and other applicable laws.

Changes in Legislation

There can be no assurance that legislative changes relating to the crude oil and natural gas industry and any related effect on demand for services industry will not adversely affect shareholders.

Access to Additional Financing

In the future, it may be necessary for Xtreme Coil to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Xtreme Coil when needed or on acceptable terms. Xtreme Coil's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit Xtreme Coil's growth and may have a material adverse effect. Where additional financing is raised by the issuance of the Common Shares or securities convertible into the Common Shares, control of Xtreme Coil may change and shareholders may suffer dilution to their investment. Xtreme Coil's activities may also be financed, partially or wholly, with debt which may increase Xtreme Coil's debt levels above industry standards.

Leverage and Restrictive Covenants

Xtreme Coil's ability to pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of those entities. The degree to which Xtreme Coil is leveraged could have important consequences for the shareholders of Xtreme Coil including, but not limited to: (i) Xtreme Coil's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) all or part of Xtreme Coil's cash flow from operations may be dedicated to the payment of the principal of and interest on Xtreme Coil's indebtedness, thereby reducing funds available for future operations or for payment of dividends to shareholders; (iii) certain of Xtreme Coil's borrowings will be at variable rates of interest, which exposes Xtreme Coil to the risk of increased interest rates; and (iv) Xtreme Coil may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

New Alberta Royalty Framework

On October 25, 2007, the Government of Alberta announced a new royalty framework which is scheduled to take effect on January 1, 2009. The new framework was announced in response to a report released by an independent Royalty Review Panel appointed by the Government of Alberta in September 2007 that recommended an increase in the overall royalty rates for oil and natural gas production in the Province of Alberta. Under the new royalty framework, royalty rates are expected to increase on conventional oil, natural gas and the oil sands. The Government

of Alberta estimates that total royalties will increase by approximately 20 percent (representing an increase of approximately \$1.4 billion) over its previous estimated royalty revenues for 2010. Substantial legislative, regulatory and systems updates require introduction before the changes become fully effective in January 2009.

At this time, it is unclear how E&P companies will react to the new royalty framework. If, in response to the new royalty framework and/or its implementations, E&P companies curtail new investments and/or reduce activity levels in the Province of Alberta, the demand for Xtreme Coil's services in the Province of Alberta could be materially reduced, which could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Service Agreements and Contracts

The business operations of the Corporation depend on successful execution of performance-based contracts, many of which are oral agreements or written agreements that are cancellable at any time. The key factors which determine whether a client continues to use Xtreme Coil are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety and competitive price. There can be no assurance that Xtreme Coil's relationships with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Risks of Foreign Operations

Xtreme Coil currently conducts its contract drilling and related services business primarily in the United States. As such, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, changes in energy policies, currency fluctuations, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Xtreme Coil conducts operations, as well as risks of loss due to terrorism. Our operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment and by lack of access to materials, components and skilled workers and time delays associated with shipment of products and materials. In the event of a dispute arising in connection with Xtreme Coil's operations in the United States, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgements in such other jurisdictions. Accordingly, Xtreme Coil's contract drilling and related activities in the United States could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

In addition, because Xtreme Coil conducts business outside of Canada, we are exposed to risks caused by fluctuations in currency exchange rates. International contracts in the oilfield services industry are paid in United States dollars and, accordingly, a material decrease in the value of the United States dollar may negatively impact revenues, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows and, therefore, on the value of the Common Shares.

Environmental Liability Risks

Certain of Xtreme Coil's operations activities involve the handling, processing and storage of oil contaminated products. The Corporation is exposed to potential environmental liability in connection with its business. Xtreme Coil maintains insurance consistent with industry practice to protect against losses due to sudden and accidental environmental contamination, accidental destruction of assets, and other operating accidents or disruptions and liability to third parties. The occurrence of any of the foregoing, any other spill or event resulting in environmental contamination or a breach of environmental rules or regulations to which Xtreme Coil is subject, could have a material adverse effect on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the value of the Common Shares.

DIVIDENDS

We have not paid any dividends to date on the Common Shares. Xtreme Coil's board of directors will determine the timing, payment and amount of dividends, if any, that may be paid from time to time based on, among other things, our cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and other relevant considerations.

DESCRIPTION OF CAPITAL STRUCTURE

General

Xtreme Coil is authorized to issue an unlimited number of Common Shares. Holders of Common Shares are entitled to vote at all meetings of our shareholders, to receive dividends as declared by Xtreme Coil and to receive, on liquidation, dissolution or winding-up, our remaining property and assets. As at March 29, 2008, 34,643,273 Common Shares were issued and outstanding.

We have filed documents affecting the rights of securityholders, including our articles and by-laws, in accordance with National Instrument 51-102 and they are available electronically on Xtreme Coil's SEDAR profile at www.sedar.com.

MARKET FOR SECURITIES

Trading Price and Volume

Xtreme Coil's Common Shares are listed and posted for trading on the TSX under the symbol "XDC". The following table sets out the monthly high and low closing prices and the total monthly trading volumes for the indicated periods.

<u>Month</u>	2007 Trading Price and Volume		<u>Volume</u>
	<u>High</u>	<u>Low</u>	
January	\$ 12.25	\$ 10.00	703,899
February	\$ 11.50	\$ 10.50	352,924
March	\$ 11.00	\$ 9.35	673,878
April	\$ 11.51	\$ 9.81	2,045,934
May	\$ 12.25	\$ 11.10	1,584,126
June	\$ 12.24	\$ 10.50	1,262,901
July	\$ 11.00	\$ 10.01	763,337
August	\$ 10.49	\$ 9.04	268,287
September	\$ 10.24	\$ 8.90	1,275,377
October	\$ 10.01	\$ 9.25	646,399
November	\$ 9.85	\$ 7.20	859,291
December	\$ 8.00	\$ 6.76	423,930

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The names and municipalities of residence of the directors and executive officers of Xtreme Coil, their positions with Xtreme Coil, the period served as a director or officer, and their principal occupations, are set forth below.

Name and Place of Residence	Position Held	Director and/or Officer Since	Principal Occupation during past five years
Thomas Wood Calgary, Alberta Canada	Founder, Chairman of the Board and Chief Executive Officer,	June 2005	Since 2007, Chief Executive Officer of Xtreme Coil Drilling Corp.; presently and since 2005, Chairman of the Board of Xtreme Coil Drilling; presently Chief Executive Officer of Round Up Resource Services Ltd., a private investment company; since 2001, Director of Wrangler West Energy Corp., a public oil and gas producer. Prior thereto, from 2001 to 2005, founder and Chairman of Savanna Energy Services, an oilfield services company.
Kyle Swingle ⁽⁴⁾ Long Tree, Colorado USA	Founder, Director and Chief Operating Officer,	June 2005	Since 2007, Chief Operating Officer of Xtreme Coil Drilling Corp.; from 2005 to 2007 Chief Operating Officer, Canadian Operations, Xtreme Coil Drilling Corp; from 2004 to 2005, Vice President, Grey Wolf Inc., a United States drilling services company; from 2002 to 2004, founder, Director, President and Chief Executive Officer, New Patriot Drilling Corp., a United States drilling services company.
Vic Fitch Calgary, Alberta Canada	Chief Financial Officer and Corporate Secretary	May, 2006	Since 2005, Chief Financial Officer of Xtreme Coil Drilling Corp.; during 2005, consultant to Norquay prior to the Amalgamation; from 2001 to 2006, Controller of Savanna Energy Services Corp., an oilfield services company.
Richard Charron Calgary, Alberta Canada	Director and Senior Vice President, Corporate Development	May 2005	Since 2007, Senior Vice President, Corporate Development; from 2005 to 2007 Chief Executive Officer of Xtreme Coil Drilling Corp.; prior thereto, President of Arron Consulting Inc.; from 2003 to 2005, Chief Financial Officer of Itres Research Inc. a private instrument and service company; from 2000 to 2003, President and Chief Financial Officer of Wrangler West Capital Corp.
Richard Havinga Calgary, Alberta Canada	Vice President, Engineering and Design	July 2005	Since 2005, Vice President, Engineering and Design of Xtreme Coil Drilling Corp.; from 1999 to 2005, Vice President, Operations of Foremost Industries Inc., a Canadian company involved in design, manufacture, sale and service of drilling equipment and heavy all-terrain vehicles.
Randolph Charron ⁽²⁾⁽⁴⁾ Calgary, Alberta Canada	Founder and Director	June 2005	President of Characo Corporation, a private oil and gas investment and consulting firm; since 2001, a director of Phoenix Energy Trust and its predecessors. Mr. Charron is principally an independent businessman involved in oil and gas services, oil and gas producing companies and other industry sectors.
Daniel Remenda ⁽¹⁾⁽³⁾⁽⁴⁾ Calgary, Alberta Canada	Director	June 2005	President of Danich Investments Limited, a private investment firm. From 2002 to 2005, a Director of Argo Energy Ltd. Mr. Remenda is principally an independent businessman involved in oil and gas producing companies, oil and gas service companies, real estate and agriculture.
David Tuer ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta Canada	Director	May 2006	From 2005 to 2006, a Director of Norquay prior to the Amalgamation. From 2005 until its acquisition by Value Creation Inc. in 2008, Executive Vice Chairman, BA Energy Inc., a private developer of Alberta's oil sands; since 2006 a director of Daylight Energy Trust (merged with Sequoia Oil & Gas Trust); since 2001, Chairman of the Calgary Health Region; from 2003 until its sale in 2006, a Director of Rockwater Capital Corporation; since 2002, a Director of Canadian Natural Resources Limited, a senior crude oil and natural gas producer; and, since 2002, Chairman of AltaLink Management Ltd. a private electrical transmission company. From 2003 to 2005, a Director and Officer of Hawker Resources Inc. (a public oil and gas corporation); from 1994 to 2001 President and Chief Executive Officer of PanCanadian Petroleum Limited (a public oil and gas corporation). Mr. Tuer is a professional engineer and an independent businessman.

Name and Place of Residence	Position Held	Director and/or Officer Since	Principal Occupation during past five years
Marc Staniloff ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta Canada	Director	August, 2006	Since 2007, Trustee of Holloway Lodging REIT. Since 2005, Chairman and Chief Executive Officer; from 2001 to 2005, President and Chief Executive Officer of Superior Lodging Corp., a hotel development, ownership and franchising company.

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Corporate Governance and Nomination Committee
- (3) Member of the Compensation Committee
- (4) Member of the Health, Safety and Environment Committee

As at March 29, 2008, Xtreme Coil's directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 9,134,928 Common Shares, or approximately 26.4 percent of the issued and outstanding Common Shares. The information as to Common shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based on information furnished to Xtreme Coil by the directors and officers. Each of Xtreme Coil's directors is schedule to hold office until the next annual meeting of Xtreme Coil's shareholders.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No current director or executive officer of the Corporation is, or was within the last ten years prior to the date hereof a director, chief executive officer or chief financial officer of any issuer: (i) that while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemption for a period of more than thirty (30) consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to act in that capacity, in such issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets in any jurisdiction.

Personal Bankruptcies

No current director or executive officer or security-holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or security-holder.

Penalties or Sanctions

No current director or executive officer or security-holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by any other securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body in any jurisdiction that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors and officers of the Corporation may, from time to time, be involved in the business and operations of other issuers, in which case a conflict may arise.

The ABCA provides that, in the event a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in

respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interests arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

MATERIAL CONTRACTS

Xtreme Coil has not entered into a material contract in the last financial year or prior thereto which is still in effect other than the following.

Xtreme entered into several drilling contracts which commenced during 2006 and 2007. The first contract is between Xtreme Coil and EnCana Oil & Gas (USA) Inc. ("**EnCana**") dated December 14, 2005 (the "**EnCana Drilling Contract #1**") whereby Xtreme Coil agreed to provide a drilling rig to EnCana commencing on September 1, 2006 for a period of three years in locations as designated by EnCana. The second contract is also between Xtreme Coil and EnCana and is also dated December 14, 2005 (the "**EnCana Drilling Contract #2**") whereby Xtreme Coil agreed to provide a drilling rig commencing on October 1, 2006 for a period of three years in locations as designated by EnCana.

All of the drilling contracts entered into since completion of the Amalgamation are between Xtreme Coil, Kerr-McGee Oil & Gas Onshore LP ("**Kerr-McGee**") and Anadarko Petroleum Corporation ("**Anadarko**"). The first contract entered into with Kerr-McGee is dated May 17, 2006, whereby Xtreme Coil agreed to provide a drilling rig commencing on October 6, 2006 for a period of three years. The second contract between the Corporation and Kerr-McGee is dated May 24, 2006 and provided that drilling would commence on January 31, 2007 for a period of three years. Xtreme Coil and Kerr-McGee also entered into another contract on May 24, 2006, which provided that drilling would commence on July 9, 2007 for a period of three years. Two of the three rigs contracted to Kerr-McGee commenced drilling in 2006 and 2007, but the third rig has not yet commenced drilling. All the Kerr-McGee contracts provide for drilling of wells in Colorado, Utah or Wyoming, as designated by Kerr-McGee.

The fourth contract is between Xtreme Coil and Anadarko and is dated May 31, 2006, whereby Xtreme Coil agreed to provide a drilling rig to Anadarko commencing on September 1, 2006 for a period of three years in locations as designated by Anadarko.

In 2006 after Xtreme Coil entered into the contracts with Anadarko and Kerr-McGee, Anadarko acquired Kerr-McGee. This resulted in Xtreme Coil having contracts with Anadarko for four rigs. Xtreme Coil conducts ongoing discussions with major United States and Canadian E&P companies to secure additional long-term contracts.

On February 6, 2006, Xtreme Coil entered into a credit facility agreement (the "**Credit Agreement**") for provision of a committed 364-day extendible revolving loan facility of \$50 million and an operating line of credit of \$5 million which became effective March 16, 2006. In March 2007, the Corporation's revolving loan facility was extended for a further 364 days. In March 2008, the revolving facility was again extended for a further 364 days. As at December 31, 2007, Xtreme Coil had drawn \$35 million on these facilities.

In January 2008 Xtreme Coil entered into an agreement with our existing lender pursuant to which the lender has agreed to act as best efforts agent and arranger of new credit facilities on a syndicated basis. Currently, the new credit facilities are being documented and we expect closing to occur early in 2008 second quarter. The new credit facilities are expected to include a \$15 million revolving operating line and a revolving extendable facility, initially at \$70 million, to be reduced to \$60 million by December 31, 2008.

TRANSFER AGENT AND REGISTRAR

Our transfer agent is Valiant Trust Company, at their offices in Calgary and through the offices of their agent, BNY Trust Company of Canada, in Toronto.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Audit Committee Charter is attached as Schedule A to this AIF.

Composition of the Audit Committee

The Audit Committee is comprised of Messrs. Staniloff, Tuer and Remenda. The following chart sets out the assessment of each Audit Committee member's independence, financial literacy and relevant educational background and experience supporting such financial literacy.

<u>Name and Place of Residence</u>	<u>Independent</u>	<u>Financially literate</u>	<u>Relevant Education and Experience</u>
Marc Staniloff	Yes	Yes	Currently, Chairman and Chief Executive Officer of Superior Lodging Corp. In 2007, appointed a Trustee of Holloway Lodging REIT. Mr. Staniloff was President of Royop Hospitality Corporation and a director of Royop Properties Corporation, a TSX listed company, from July 1997 until October 2000. He earned his Bachelor of Commerce degree from the University of Calgary and is an active member of the Young President's Organization. Mr. Staniloff is also a member of the Super 8 Motels Franchisee Advisory Board and was the winner of the Super 8 Dennis Brown Memorial award.
David Tuer Calgary, Alberta	Yes	Yes	From 2005 until its acquisition by Value Creation Inc. in 2008, Executive Vice Chairman, BA Energy Inc., a private developer of Alberta's oil sands; since 2006 a director of Daylight Energy Trust (merged with Sequoia Oil & Gas Trust); from 2005 to 2006, a Director of Norquay prior to the Amalgamation; since 2001, Chairman of the Calgary Health Region; from 2003 until its sale in 2006, a Director of Rockwater Capital Corporation; since 2002, a Director of Canadian Natural Resources Limited, a senior crude oil and natural gas producer; and, since 2002, Chairman of AltaLink Management Ltd. a private electrical transmission company. From 2003 to 2005, a Director and Officer of Hawker Resources Inc. (a public oil and gas corporation); from 1994 to 2001 President and Chief Executive Officer of PanCanadian Petroleum Limited (a public oil and gas corporation). Mr. Tuer is a professional engineer and an independent businessman.
Daniel Remenda Calgary, Alberta	Yes	Yes	Currently President of Danich Investments Limited, a private investment company. From October 2002 to April 2005 Director of Argo Energy Ltd. (a public oil & gas corporation). From May 2001 to August 2002, a Director of High Plains Energy (a public oil and gas corporation). From May 1996 to July 2000, President and Director of Plains Perforating Ltd. (a private oil and gas service corporation and a division of Plains Energy Ltd. (a public oil and gas corporation)). Mr. Remenda is principally an independent businessman involved in oil and gas producing companies, oil and gas service companies, real estate and agriculture.

Fees Paid to PricewaterhouseCoopers LLP

The following table sets forth the fees paid by Xtreme Coil to PricewaterhouseCoopers LLP for the periods indicated.

Type of Fees	Fiscal Year Ended December 31	Aggregate Fees Billed	Nature of Services Performed
Audit fees	2007	\$85,000	Year-end audit
	2006	\$70,000	Year-end audit
Audit – Related fees	2007	\$37,500	Quarterly reviews
	2006	\$23,280	Quarterly reviews
Tax Fees	2007	\$53,350	Canadian, United States tax review, tax return
	2006	\$18,388	Canadian, United States tax review, tax return
	2007	\$69,750	Internal control and other
All other fees	2006	\$31,800	Amalgamation, internal control and other

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no legal proceedings material to Xtreme Coil to which we are a party or to which any of our property is subject, nor are any such proceedings known to be contemplated.

Regulatory Actions

During the year ended December 31, 2007 there were: (i) no penalties or sanctions imposed against Xtreme Coil or by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against Xtreme Coil that would likely be considered important to a reasonable investor in making an investment decision; and (iii) no settlement agreements Xtreme Coil entered into with a court relating to a securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of management, other than as disclosed herein, there were no material interests, direct or indirect, of any director or executive officer, any shareholder who beneficially owns, or exercises control or direction over, more than 10 percent of our outstanding Common Shares, or any associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect us or any of our subsidiaries.

INTERESTS OF EXPERTS

To the knowledge of Xtreme Coil's management, as of the date hereof, PricewaterhouseCoopers LLP is the only person or company who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by Xtreme Coil during, or relating to, Xtreme Coil's most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or the company.

PricewaterhouseCoopers LLP, Chartered Accountants, have performed the external audit of financial statements of Xtreme Coil for the year ended December 31, 2007, as set forth in Xtreme Coil's financial statements. PricewaterhouseCoopers LLP has advised Xtreme Coil that they are independent with respect to Xtreme Coil within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

In addition, neither the aforementioned person, nor any director, officer or employee thereof, is or is expected to be elected, appointed or employed as a director, officer or employee of Xtreme Coil or of any associate or affiliate thereof.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans, as applicable, will be contained in our information circular for our 2008 meeting of shareholders that involves the election of directors. Additional financial information is provided in our financial statements and management's discussion and analysis for the year ended December 31, 2007, which are set forth in our 2007 Annual Report. Documents affecting the

rights of securityholders, along with additional information relating to Xtreme Coil, is filed on SEDAR at www.sedar.com.

APPENDIX A

XTREME COIL DRILLING CORP.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

Audit Committee Mandate And Terms Of Reference For Audit Committee Chair

Xtreme Coil's Audit Committee Charter outlines the specific roles and duties of the Committee members.

General Functions, Authority and Role

The Audit Committee is a Committee of the Board of Directors appointed to assist the Board in monitoring (1) the integrity of the financial statements of the Corporation, (2) compliance by the Corporation with legal and regulatory requirements related to financial reporting, (3) qualifications, independence and performance of the Corporation's independent auditors, and (4) performance of the Corporation's internal controls and financial reporting process.

The Audit Committee has the power to conduct or authorize investigations into any matters within its scope of responsibilities, with full access to all books, records, facilities and personnel of the Corporation, its auditors and its legal advisors. In connection with such investigations or otherwise in the course of fulfilling its responsibilities under this charter, the Audit Committee has the authority to independently retain special legal, accounting, or other consultants to advise it, and may request any Officer or employee of the Corporation, its independent legal counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee also has the power to create specific sub-committees with all of the investigative powers described above.

The Corporation's independent auditor is ultimately accountable to the Board of Directors and to the Audit Committee; and the Board of Directors and Audit Committee, as representatives of the Corporation's shareholders, have the ultimate authority and responsibility to evaluate the independent auditor, and to nominate annually the independent auditor to be proposed for shareholder approval, and to determine appropriate compensation for the independent auditor. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee must maintain free and open communication between the Corporation's independent auditors, Board of Directors and management. The responsibilities of a member of the Audit Committee are in addition to such member's duties as a member of the Board of Directors.

While the Audit Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor (other than disagreements regarding financial reporting), or to assure compliance with laws and regulations or the Corporation's own policies.

Membership

The membership of the Audit Committee will be as follows:

1. The Committee will consist of a minimum of three members of the Board of Directors, appointed annually, each of whom is affirmatively confirmed as independent by the Board of Directors, with such affirmation disclosed in the Corporation's annual securityholder materials.
 - (a) The Board will elect, by a majority vote, one member as chairperson
 - (b) A member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board Committee, accept any consulting, advisory, or other compensatory fee from the Corporation, and may not be an affiliated person of the Corporation or any subsidiary thereof.

Responsibilities

The responsibilities of the Audit Committee shall be as follows:

1. Frequency of Meetings
 - (a) Meet quarterly or as often as may be deemed necessary or appropriate in its judgment, either in person or telephonically.
 - (b) Meet with the independent auditor at least quarterly, either in person or telephonically.
2. Reporting Responsibilities
 - (a) Provide to the Board of Directors proper Committee minutes.
 - (b) Report Committee actions to the Board of Directors with such recommendations, as the Committee may deem appropriate.
 - (c) Provide a report for the Corporation's Annual Information Circular.
3. Charter Evaluation
 - (a) Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.
4. Whistleblower Mechanisms
 - (a) Adopt and review annually a mechanism through which employees and others can directly and anonymously contact the Audit Committee with concerns about accounting and auditing matters. The mechanism must include procedures for responding to, and keeping of records of, any such expressions of concern.
5. Independent Auditor
 - (a) Nominate annually the independent auditor to be proposed for shareholder approval.
 - (b) Approve the compensation of the independent auditor, and evaluate the performance of the independent auditor.
 - (c) Establish policies and procedures for the engagement of the independent auditor to provide non-audit services.
 - (d) Ensure that the independent auditor is not engaged for any activities not allowed by any of the Canadian provincial securities commissions, the SEC or any securities exchange on which the Corporation's shares are traded.
 - (e) Ensure that the auditors are not engaged for any of the following nine types of non-audit services contemporaneous with the audit:
 - (i) bookkeeping or other services related to accounting records or financial statements of the Corporation;
 - (ii) financial information systems design and implementation;
 - (iii) appraisal or valuation services, fairness opinions, or contributions-in-kind reports;
 - (iv) actuarial services;
 - (v) internal audit outsourcing services;
 - (vi) any management or human resources function;
 - (vii) broker, dealer, investment advisor, or investment banking services;
 - (viii) legal services; and
 - (ix) expert services related to the auditing service.

6. Hiring Practices
 - (a) Ensure that no senior officer who is, or in the past full year has been, affiliated with or employed by a present or former auditor of the Corporation or an affiliate, is hired by the Corporation until at least one full year after the end of either the affiliation or the auditing relationship.
7. Independence Test
 - (a) Take reasonable steps to confirm the independence of the independent auditor, which shall include:
 - (i) insuring receipt from the independent auditor of a formal written statement delineating all relationships between the independent auditor and the Corporation, consistent with the Independence Standards Board Standard No. 1 and related Canadian regulatory body standards;
 - (ii) considering and discussing with the independent auditor any relationships or services, including non-audit services, that may impact the objectivity and independence of the independent auditor; and
 - (iii) as necessary, taking, or recommending that the Board of Directors take, appropriate action to oversee the independence of the independent auditor.
8. Audit Committee Meetings
 - (a) At the request of the independent auditor, convene a meeting of the Audit Committee to consider matters the auditor believes should be brought to the attention of the Directors or shareholders.
 - (b) Keep minutes of its meetings and report to the Board for approval of any actions taken or recommendations made.
9. Restrictions
 - (a) Ensure no restrictions are placed by management on the scope of the auditors' review and examination of the Corporation's accounts.
 - (b) Ensure that no Officer or Director attempts to fraudulently influence, coerce, manipulate or mislead any accountant engaged in auditing of the Corporation's financial statements.

Audit and Review Process and Results

10. Scope
 - (a) Consider, in consultation with the independent auditor, the audit scope and plan of the independent auditor.
11. Review Process and Results
 - (a) Consider and review with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as the same may be modified or supplemented from time to time.
 - (b) Review and discuss with management and the independent auditor at the completion of the annual examination:
 - (i) the Corporation's audited financial statements and related notes;
 - (ii) the Corporation's MD&A and news releases related to financial results;
 - (iii) the independent auditor's audit of the financial statements and its report thereon;
 - (iv) any significant changes required in the independent auditor's audit plan;
 - (v) any non-GAAP related financial information;
 - (vi) any serious difficulties or disputes with management encountered during the course of the audit; and

- (vii) other matters related to the conduct of the audit, which are to be communicated to the Audit Committee under generally accepted auditing standards.
- (c) Review, discuss with management and approve annual and interim quarterly financial statements prior to public disclosure.
- (d) Review and discuss with management and the independent auditor the adequacy of the Corporation's internal controls that management and the Board of Directors have established and the effectiveness of those systems, and inquire of management and the independent auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Corporation.
- (e) Meet separately with the independent auditor and management, as necessary or appropriate, to discuss any matters that the Audit Committee or any of these groups believe should be discussed privately with the Audit Committee.
- (f) Review and discuss with management and the independent auditor the accounting policies which may be viewed as critical, including all alternative treatments for financial information within generally accepted accounting principles that have been discussed with management, and review and discuss any significant changes in the accounting policies of the Corporation and industry accounting and regulatory financial reporting proposals that may have a significant impact on the Corporation's financial reports.
- (g) Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures, if any, on the Corporation's financial statements.
- (h) Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
- (i) Review with the Corporation's General Counsel legal matters that may have a material impact on the financial statements, the Corporation's financial compliance policies and any material reports or inquiries received from regulators or governmental agencies related to financial matters.

Securities Regulatory Filings

1. Review filings with the Canadian provincial securities commissions and the SEC and other published documents containing the Corporation's financial statements.
2. Review, with management and the independent auditor, prior to filing with regulatory bodies, the interim quarterly financial reports (including related notes and MD&A) at the completion of any review engagement or other examination. The designated financial expert of the Audit Committee may represent the entire Audit Committee for purposes of this review.

Risk Assessment

3. Meet periodically with management to review the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
4. Assess risk areas and policies to manage risk including, without limitation, environmental risk, insurance coverage and other areas as determined by the Board of Directors from time to time.

Amendments to Audit Committee Charter

Annually review this Charter and propose amendments to be ratified by a simple majority of the Board of Directors.