Management's Discussion and Analysis ("MD&A")

($ in thousands, except where indicated)

Management for Xtreme Coil Drilling Corp. ("Xtreme Coil" or the "Company") based this MD&A on operating and financial results for the three and twelve months ended December 31, 2009, and provides comparative information for the three and twelve months ended December 31, 2008. Management recommends reading this discussion and analysis of Xtreme Coil's financial condition and results of operations in conjunction with the consolidated financial statements for the year ended December 31, 2009. Management has prepared the consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") and expresses all amounts in Canadian dollars ("CAD") unless otherwise stated. Management's discussion and analysis is based on information available as at March 12, 2010.

Forward-Looking Statements

This MD&A, or documents incorporated herein, may include certain information, statements and assumptions (collectively, "forward-looking statements") regarding management's view of future events, expectations, plans, initiatives or prospects constituting forward-looking statements within the meaning of securities laws. Forward-looking statements may relate to Xtreme Coil's future outlook and anticipated events or results and may include statements related to current and anticipated future contracts; commodity pricing; foreign currency exchange rates; operating expenses; rig building, completion, deployment, or performance; capital expenditures and other guidance provided throughout this MD&A.

These statements are based on certain factors and assumptions including, but not limited to: the assessment of current and projected future operations; ongoing and future strategic business alliances, negotiations and opportunities to enter new, continue or extend existing contracts; the availability and cost of financing; foreign currency exchange rates; timing and magnitude of capital expenditures; expenses and other variables affecting rig operating, modification and construction; the ability of vendors to provide rig component equipment, services and supplies, including labor, in a cost-effective and timely manner; the issuance of applied-for patents; changes in tax rates; and government regulations. Although Xtreme Coil considers the assumptions used to prepare this MD&A reasonable, based on information available to management as at March 12, 2010, ultimately the assumptions may be incorrect.

Forward-looking statements are also subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from management's current expectations. These factors include, but are not limited to: the cyclical nature of drilling market demand, foreign currency exchange rates, and commodity prices; access to credit and to equity markets; the availability of qualified personnel; competition for customers from other drilling contractors, labor and vendor-provided rig components.

Management's assumptions included the following: compliance with the terms of the Company's credit facility; ongoing access to key supplies required to continue operating and maintaining equipment, including fuel; continued successful performance of drilling and related equipment; expectations regarding gross margin; recruitment and retention of qualified personnel; continuation or extension of existing long-term contracts; revenue expectations related to shorter-term drilling opportunities; willingness and ability of customers to remit amounts owing to Xtreme Coil in accordance with normal industry practices; and management of accounts receivable in direct relation to revenue generation.

In preparing this MD&A, management considered the following risk factors: fluctuations in crude oil and natural gas prices, supply and demand; fluctuation in foreign currency exchange and interest rates; financial stability of Xtreme Coil's customers; current and future applications for Xtreme Coil's proprietary technology; competition from other drilling contractors; regulatory and economic conditions; environmental constraints; changes to government legislation; international trade barriers or restrictions; global political and military events.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash provided by operating activities is based on assumptions about future events, including economic conditions and proposed courses of action, and on management's assessment of relevant information currently available. Readers are cautioned such financial outlook information contained in this MD&A is not appropriate for purposes other than for which it is disclosed herein. Readers should not place undue importance on forward-looking statements and should not rely on this information as of any other date. Except as required pursuant to applicable securities laws, Xtreme Coil disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements to reflect actual results, *whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise.*

Description of the Business

Xtreme Coil develops and applies leading-edge patented and patent-related technology and designs to build, transport, and operate new Coil Over Top Drive® (COTD™) drilling rigs. Currently contracted in the United States of America ("United States" or "US") and United Mexican States ("Mexico"), under letter of intent in the Kingdom of Saudi Arabia ("Saudi Arabia"), and marketed to other international regions, Xtreme Coil's dual-purpose rigs drill with larger coiled tubing or conventional drill pipe to reach hydrocarbons in deeper horizons. Other features of the Company's proprietary technology include: high capacity coil injectors, re-entry drilling capability, modular transportation systems and new methods for achieving deeper, faster and safer drilling. These drilling rigs employ Xtreme Coil's patented and patent-pending coil designs and technologies.

The Company designs its drilling rigs and, historically, has built these dual-purpose COTD™ drilling rigs in Canada under contracts with several third parties. The Company also completes the final assembly and commissioning of the drilling rigs and operates them internationally under contracts with oil and natural gas exploration and production ("E&P") companies and global integrated oilfield service providers. Xtreme Coil currently conducts land contract drilling operations in the United States and Mexico, is preparing to commence land drilling operations in Saudi Arabia, and is actively pursuing opportunities to expand its contract drilling services within and beyond these current core regions of operation.

Xtreme Coil has designed seven models of COTD™ drilling rigs, with five designs completed and deployed and one ready to deploy to field operations.

Xtreme Coil's head office is in Houston, Texas. Xtreme Coil also has a corporate office in Calgary, Alberta, Canada, a warehouse in Casper, Wyoming, an operations office near Poza Rica, in the state of Veracruz, Mexico, and is working to establish a field office in Al Khobar, Saudi Arabia.

At March 12, 2010, Xtreme Coil held 14 patents related to technologies for drilling with coiled tubing and conventional drill pipe as well as for certain rig transportation methods. The patents have been issued by: the United States Patent and Trademark Office (seven), the Canadian Intellectual Property Office (six) and the Eurasian Patent Organization (one). In March 2010, the jurisdiction for Indonesia approved two further Xtreme Coil patent applications and will provide the related patent registration numbers in the coming months. Xtreme Coil has more than 60 patent-related applications in progress in the United States, Canada and other worldwide jurisdictions. The Company's issued and applied-for patents collectively cover coiled tubing drilling and transportation technology including equipment and methods for coiled tubing drilling to depths of 3,000 meters (approximately 10,000 feet) or more with large diameter pipe and up to 9,000 meters (approximately 30,000 feet) for re-entry applications with smaller diameter pipe.

At December 31, 2009, Xtreme Coil had 10 drilling rigs working under long-term contracts with a global integrated oilfield services provider in the Chicontepec development project in the state of Veracruz, Mexico. The 10 rigs working in Mexico reflect long-term contracts executed in September 2009. Six of the rigs had been working on this project since 2008 and four additional rigs commenced operations in 2009.

In addition, at December 31, 2009, the Company had three drilling rigs working in the United States under contracts with a large independent E&P company.

At December 31, 2009, of the 16 COTD™ drilling rigs the Company had in service:

- 10 rigs were operating under long-term contracts in Mexico,
- three rigs were operating under long-term contracts in the United States,
- one rig was stacked in the United States,
- one rig was in the port of Dammam in Saudi Arabia pursuant to a letter of intent for a proposed two-year contract in the region, and

($ in thousands, except where indicated)

- one rig was undergoing customization in the United States in preparation for deployment to Saudi Arabia.

Xtreme Coil's early capital plans called for the construction of eighteen drilling rigs. The Company temporarily suspended construction on the last two of these rigs in 2008 3Q when economic uncertainty significantly decreased demand in the United States drilling market. As a result, in addition to the completed sixteen drilling rigs, the Company had purchased, and retains in stock, a limited number of components for the two additional drilling rigs for which construction was suspended. During 2010 1Q, in recognition of the high rate of utilization anticipated for its drilling rigs in the coming year, Xtreme Coil placed orders for certain additional long-lead time capital components to enable the Company to respond with quicker delivery times to meet expectations of potential customers requiring additional high technology rigs for their projects.

Xtreme Coil's common shares trade on the Toronto Stock Exchange under the symbol "XDC".

Selected Annual Information

	Dec 31 2009	Dec 31 2008	Dec 31 2007
Revenue	99,371	78,114	32,195
EBITDA [1]	26,002	15,406	875
EBITDA per share [1] - basic *($)*	0.55	0.40	0.03
Net income (loss)	10,087	2,741	(3,203)
Net income (loss) per share - basic *($)*	0.22	0.07	(0.10)
Capital assets	239,098	238,345	188,913
Total assets	317,868	289,394	213,464
Total long-term financial liabilities	31,344	49,140	29,969
Operating days [2]	3,899	2,948	1,492

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Selected Quarterly Financial Information *(unaudited)*

Three months ended

	2009 Dec 31	2009 Sep 30	2009 Jun 30	2009 Mar 31
Revenue	**27,252**	26,153	23,052	22,914
EBITDA [1]	**6,867**	7,569	5,379	6,187
EBITDA per share [1] - basic *($)*	**0.13**	0.14	0.13	0.15
Net income	**3,048**	2,734	1,926	2,379
Net income per share - basic *($)*	**0.06**	0.05	0.05	0.06
Capital assets	**239,098**	244,928	254,070	271,366
Total assets	**317,868**	318,948	346,090	326,098
Operating days [2]	**1,196**	1,022	878	803
Rig utilization *(percentage)*	**81**	69	60	56
Weighted average rigs in service	**16.0**	16.0	16.0	16.0
Completed rigs, end of quarter	**16**	16	16	16

	2008 Dec 31	2008 Sep 30	2008 Jun 30	2008 Mar 31
Revenue	28,924	26,328	10,527	12,335
EBITDA [1]	6,539	5,899	715	2,253
EBITDA per share [1] - basic *($)*	0.16	0.15	0.02	0.07
Net income (loss)	2,508	1,278	(1,541)	496
Net income (loss) per share - basic *($)*	0.06	0.03	(0.04)	0.01
Capital assets	238,345	231,392	211,948	192,855
Total assets	289,394	279,457	249,043	219,049
Operating days [2]	949	947	473	579
Rig utilization *(percentage)*	68	83	52	74
Weighted average rigs in service	15.2	12.4	10.0	9.0
Completed rigs, end of quarter	16	15	12	11

1 EBITDA is defined as earnings before interest, taxes, depreciation and amortization, stock-based compensation, foreign exchange gains or losses, and gains or losses on sale of equipment. EBITDA per share is defined as EBITDA divided by the Company's basic number of common shares. Management believes EBITDA and EBITDA per share are useful supplemental measures of the financial performance of Xtreme Coil's principal business activities before considering how activities are financed or taxed, and before the impact of stock-based compensation, foreign exchange rate fluctuations or sales of equipment. A reconciliation of EBITDA to net income is presented in the Non-GAAP measures section of this MD&A.

2 Operating days represent the total of all drilling, moving, standby and other revenue days for each drilling rig in the fleet during the period. Management uses operating days to measure rig utilization which quantifies the revenue-generating activity of the fleet of drilling rigs.

During the last eight quarters, Xtreme Coil's revenue, operating days and rig utilization have gradually shown improvement as the Company continued to increase the size of its drilling rig fleet and secured long-term contracts for its rigs. During 2009, this impact has been partially offset by the decline in the United States dollar ("USD") relative to the CAD in the latter part of the year.

For the three months ended December 31, 2009, the Company's utilization rate of 81 percent (with 13 rigs working at the end of the year out of 16 total rigs) was 13 percentage points higher than the utilization rate of 68 percent recorded in the comparable period in 2008 (with nine rigs working at the end of the year out of 16 total rigs).

Xtreme Coil reported increased operating days during the three and twelve months ended December 31, 2009, compared to 2008. This reflected the increased number of rigs in the operating fleet and the additional number of rigs operating under long-term contracts. The achievement of 1,196 operating days in 2009 4Q represents an all-time record for a quarter since Xtreme Coil's commencement of operations in 2006.

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Results of Operations

Revenue

	Three months ended			Year ended		
	2009 Dec 31	2008 Dec 31	% Change	**2009 Dec 31**	2008 Dec 31	% Change
Revenue	**27,252**	28,924	(6)	**99,371**	78,114	27
Operating days	**1,196**	949	26	**3,899**	2,948	32
Revenue per operating day	**22.8**	30.5	(25)	**25.5**	26.5	(4)
Rig utilization *(percentage)*	**81**	68	19	**89**	69	29

For the three months ended December 31, 2009, Xtreme Coil achieved rig utilization and operating days of 81 percent and 1,196, respectively, compared to 68 percent and 949 days in the comparative period. Despite these increases, the deterioration of the USD relative to the CAD was the most significant factor contributing to the decrease in revenue in 2009 4Q compared to 2008 4Q and the decrease in revenue per operating day for the three and twelve months ended December 31, 2009, compared to the same periods in the prior year. Historically, drilling contracts under which the Company operates its equipment have been denominated primarily in USD.

At December 31, 2009 and 2008, Xtreme Coil's fleet consisted of 16 rigs. During 2009, the Company moved an additional four drilling rigs to Mexico, bringing the total number of drilling rigs operating in the Chicontepec development project in the state of Veracruz, Mexico to 10 by the end of 2009 3Q. In addition, three rigs continued to operate under long-term contracts in the United States throughout the year. These long-term contracts, combined with a greater proportion of larger rigs operating in 2009 compared to 2008, contributed to a 27 percent increase in revenue from $78,114 to $99,371.

Operating Expenses

	Three months ended			Year ended		
	2009 Dec 31	2008 Dec 31	% Change	**2009 Dec 31**	2008 Dec 31	% Change
Operating expenses	**16,346**	19,516	(16)	**59,550**	55,221	8
Operating expenses *(percentage of revenue)*	**60**	67	(10)	**60**	71	(15)
Operating expenses per operating day	**13.7**	20.6	(33)	**15.3**	18.7	(18)

For 2009 4Q, operating expenses, operating expenses as a percentage of revenue, and operating expenses per operating day all showed improvement compared to the same period in 2008 due to lower downtime in 2009 and the higher costs incurred in 2008 during the rollout of the XTC 400 series rigs.

The increase in operating expenses versus 2008 primarily reflects the higher number of operating days and stronger value of the USD relative to CAD on our USD-denominated expenses. Operating expenses as a percentage of revenue and operating expenses per operating day continued to decline in 2009 when compared to the prior year as the Company began to realize the benefits of achieving economies of scale with respect to certain fixed infrastructure and other non-rig specific operational expenses, which did not increase proportionally.

Gross Margin[1]

	Three months ended			Year ended		
	2009 Dec 31	2008 Dec 31	% Change	**2009 Dec 31**	2008 Dec 31	% Change
Gross margin	**10,906**	9,408	16	**39,821**	22,893	74
Gross margin *(percentage of revenue)*	**40**	33	21	**40**	29	38
Gross margin per operating day	**9.1**	9.9	(8)	**10.2**	7.8	31

[1] see Non-GAAP measures

The gross margin and gross margin percentage of revenue for the three and twelve months ended December 31, 2009, improved over the comparable period in 2008 primarily due to improved efficiencies related to increased operating days. Certain operational expenses are fixed in nature and any increase in operating days produces significant improvement in these metrics.

While gross margin per operating day decreased slightly in 2009 4Q compared to the same period in the prior year, it improved by 31 percent year-over-year, consistent with the increase in gross margin as a percentage of revenue for the period.

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General and Administrative ("G&A") Expenses

	Three months ended			Year ended		
	2009 Dec 31	**2008 Dec 31**	**% Change**	**2009 Dec 31**	**2008 Dec 31**	**% Change**
G&A expenses	**4,039**	2,870	41	**13,819**	7,487	85
G&A *(percentage of revenue)*	**15**	10	50	**14**	10	40

G&A for the three and twelve months ended December 31, 2009, was higher than the comparable periods primarily due to development of administrative infrastructure to support expanded international operations, higher professional fees and increased bonus expense, partially offset by a provision for bad debts recorded in 2008 4Q that did not recur in 2009 4Q.

As the Company continues to expand its operations and grow revenue, management has taken action to control these costs as a percentage of revenue, including progressively moving outsourced services in the areas of legal, tax and accounting to in-house permanent personnel.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")[1]

	Three months ended			Year ended		
	2009 Dec 31	**2008 Dec 31**	**% Change**	**2009 Dec 31**	**2008 Dec 31**	**% Change**
EBITDA	**6,867**	6,539	5	**26,002**	15,406	69

[1] see Non-GAAP measures

For the three months ended December 31, 2009, the five percent increase in EBITDA from $6,539 to $6,867 was a result of increased operating days and a decrease in direct operating expenses as a percentage of revenue, partially offset by the impact of higher G&A expenses and the deterioration of the USD relative to the CAD.

For the twelve months ended December 31, 2009, the 69 percent increase in EBITDA from $15,406 to $26,002 was due to a 32 percent increase in 2009 operating days over the prior year, a decrease in direct operating expenses as a percentage of revenue, the impact of a stronger average USD relative to the CAD, partially offset by higher G&A expenses.

Depreciation and Amortization

	Three months ended			Year ended		
	2009 Dec 31	**2008 Dec 31**	**% Change**	**2009 Dec 31**	**2008 Dec 31**	**% Change**
Depreciation and amortization	**3,268**	2,555	28	**12,071**	8,167	48

Depreciation charges for Xtreme Coil's drilling equipment are based on the units-of-production method, assuming 5,000 drilling days with an estimated residual value of 20 percent of historical cost. Depreciation for drilling equipment accounts for the majority of depreciation charges and increases in direct proportion to increased operating days.

For the three and twelve months ended December 31, 2009, the increase in depreciation and amortization by 28 percent and 48 percent, respectively, is proportionate to the increase in operating days and is primarily due to the increase in equipment engaged in active field operations.

Stock-Based Compensation

	Three months ended			Year ended		
	2009 Dec 31	**2008 Dec 31**	**% Change**	**2009 Dec 31**	**2008 Dec 31**	**% Change**
Stock-based compensation	**318**	531	(40)	**1,261**	1,251	1

For the three months ended December 31, 2009, stock-based compensation decreased 40 percent from $531 to $318 as fewer options were granted compared to the same period in 2008.

However, for the year ended December 31, 2009, stock-based compensation was comparable to the prior year because the effect of newly-issued options during 2009 was largely offset by options forfeited and cancelled in the same period.

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Foreign Exchange

	Three months ended			Year ended		
	2009 Dec 31	**2008 Dec 31**	**% Change**	**2009 Dec 31**	**2008 Dec 31**	**% Change**
Foreign exchange gain	**(192)**	(1,106)	(83)	**(2,936)**	(875)	236

Revenue and expenses in the United States and Mexico are denominated primarily in USD. The foreign exchange gain in the current year results primarily from translation of the USD-denominated portion of the Company's debt.

For the three months ended December 31, 2009, the foreign exchange gain was lower relative to the same period in the prior year primarily due to the effect of the sharp increase in value of the USD in relation to the CAD that occurred during 2008 4Q which did not recur in 2009 4Q.

For the year ended December 31, 2009, the foreign exchange gain primarily reflects the effect of the decreased value of the USD relative to the CAD on the USD-denominated debt, in accordance with the Company's current method of accounting for foreign exchange transactions. In 2008, when the Company still considered its subsidiaries as integrated operations, other foreign exchange gains and losses overshadowed the effect of changes in the value of USD-denominated debt.

Net Interest Expense

	Three months ended			Year ended		
	2009 Dec 31	**2008 Dec 31**	**% Change**	**2009 Dec 31**	**2008 Dec 31**	**% Change**
Net interest expense	**599**	1,210	(50)	**3,158**	3,191	(1)

Net interest expense for the three months ended December 2009 decreased compared to the same period in 2008 due to lower average debt balances as a result of debt repayments during 2009, in addition to lower average interest rates for the same period.

Net interest expense for the twelve months ended December 2009 was comparable to the same period in 2008, due to lower average interest rates on the Company's variable rate debt facilities, partially offset by slightly higher average debt balances.

Income Before Tax

	Three months ended			Year ended		
	2009 Dec 31	**2008 Dec 31**	**% Change**	**2009 Dec 31**	**2008 Dec 31**	**% Change**
Income before tax	**2,821**	3,341	(16)	**12,433**	3,626	243

For the three months ended December 31, 2009, income before tax decreased 16 percent from $3,341 to $2,821 compared to 2008 4Q, due to higher G&A expenses, lower foreign exchange gain, and higher depreciation, largely offset by a higher gross margin and lower net interest expense.

For the year ended December 31, 2009, income before tax increased over prior periods primarily as a result of Xtreme Coil's expanding operations and transition from a construction phase to an operational phase entity. As the Company secured long-term drilling contracts and increased revenue, income before tax increased.

Income Tax

	Three months ended			Year ended		
	2009 Dec 31	**2008 Dec 31**	**% Change**	**2009 Dec 31**	**2008 Dec 31**	**% Change**
Current income tax expense	**1,347**	1,354	(1)	**3,079**	1,354	127
Future income tax recovery	**(1,574)**	(522)	202	**(733)**	(469)	56
Total tax expense (recovery)	**(227)**	832	(127)	**2,346**	885	165

For the three months ended December 31, 2009, versus the same period in the prior year, tax expense decreased primarily due to increased international operations in countries with lower effective tax rates.

For the year ended December 31, 2009, the increased tax expense over the prior year reflects an increase in global taxable income, the accrual of certain withholding taxes relating to the Company's international tax structure, and the impact of the intercompany sale of four drilling rigs. These effects were

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partially offset by the recovery recorded in 2009 1Q to reflect the lower effective tax rate applicable to a part of the Company's income and the utilization of prior year losses.

Net Income

	Three months ended			Year ended		
	2009 Dec 31	**2008 Dec 31**	**% Change**	**2009 Dec 31**	**2008 Dec 31**	**% Change**
Net income	**3,048**	2,508	22	**10,087**	2,741	268

The 22 percent increase in net income for the three months ended December 31, 2009, compared to the prior period, is primarily due to the net tax recovery in 2009 4Q compared to the tax expense in 2008 4Q.

The increase in net income for the year ended December 31, 2009, primarily reflects increased operating profit from expanded operations, partially offset by higher taxes.

Financial Condition, Liquidity and Capital Resources

($ million)	**2009 Dec 31**	**2008 Dec 31**	**2007 Dec 31**
Long-term liabilities	**31.3**	49.1	30.0
Less: working capital	**(36.3)**	(6.2)	10.0
Net debt [1]	**(5.0)**	42.9	40.0

1 see Non-GAAP measures

The decrease in net debt and the corresponding increase in working capital at December 31, 2009, as compared to December 31, 2008, is primarily related to the two equity offerings which closed in 2009 2Q. Net proceeds from these offerings totalled $44,378.

During 2008, Xtreme Coil drew on its credit facilities primarily to complete construction of drilling rigs, which totalled 16 at December 31, 2008, as well as to provide cash for ongoing operating requirements, including the establishment of operations in Mexico. These activities caused the Company's debt balances to peak in early 2009 and subsequently decline, as cash generated from operating activities and proceeds from the equity issuance in 2009 2Q allowed the Company to reduce debt by $23,132 (including the effect of foreign exchange gains and losses) and to fund $17,048 in capital expenditures (including the effect of foreign exchange gains and losses) required substantially to upgrade rigs for anticipated work.

Capital Expenditures and Commitments

		Year ended	
($ million)	**2009 Dec 31**	**2008 Dec 31**	**% Change**
Capital expenditures	**17.0**	56.0	(70)
Commitments	**1.7**	3.4	(50)

Capital expenditures and commitments decreased in 2009 compared to 2008. By year-end 2008, the Company had completed construction of 16 rigs and suspended the construction of an additional two rigs due to market conditions as discussed in "Description of the Business". Capital spending during the year ended December 31, 2009, was primarily related to modifications conducted in the first half of the year on the four rigs subsequently moved to commence operations in Mexico and modifications conducted in the third and fourth quarter on an idle rig to customize it for re-entry drilling in Saudi Arabia.

On May 30, 2008, Xtreme Coil entered into an agreement for credit facilities ("Credit Agreement") with its existing lender and another lender on a syndicated basis. The credit facilities included a $15,000 operating loan facility and a revolving extendible facility, initially set at $70,000 which reduced as scheduled to $60,000 at December 31, 2008. The credit facilities required Xtreme Coil to maintain certain financial covenants. During the quarters ended June 30, 2009, September 30, 2009 and December 31, 2009, the Company was in compliance with all of the financial covenants associated with its credit facilities; however, at December 31, 2008, and March 31, 2009, the Company was not in compliance with two covenants related to funded debt to EBITDA and interest coverage. The syndicate provided waivers with regard to covenant non-compliance for twelve months following the respective balance sheet dates of non-compliance.

On November 10, 2008, the Company executed the first amendment to the Credit Agreement. The amendment allows exclusion of rigs operated in Mexico from the asset value used in calculating the borrowing limits for Tranche B under the Credit Agreement and permitted the transfer of those rigs to certain affiliates of the Company.

($ in thousands, except where indicated)

On May 29, 2009, Xtreme Coil executed the second amendment to the Credit Agreement. The amendment extended the existing credit facilities, continuing the $15,000 operating loan facility ("Tranche A") and converting the $60,000 revolving credit facility into an extendible term loan ("Tranche B"). Terms of Tranche A remain essentially unchanged. The amended Tranche B facility requires minimum principal payments based on a five-year amortization of the outstanding balance at May 29, 2009. Quarterly installments in arrears began June 30, 2009, and continue until the stated maturity date of January 4, 2011, at which time the remaining facility balance would become due and payable unless extended. Under the terms of the amended agreement, Xtreme Coil may request extension of the facility at any time 90 days before the stated maturity date. A debt service coverage ratio covenant replaces the EBIT interest coverage and funded debt to EBITDA covenants that previously applied to quarterly financial reporting periods.

On November 20, 2009, the Company executed the third amendment to its Credit Agreement. The amendment allows the exclusion of rigs operated in Saudi Arabia from the asset value used in calculating the borrowing limits under Tranche B. Xtreme Coil was in compliance with all covenants pursuant to the Credit Agreement as amended at December 31, 2009.

On November 20, 2009, Xtreme Coil also entered into an agreement with a major diversified oilfield services company (the "Service Company"), in which the Service Company agreed to fund up to USD$5,700 (approximately $5,991 CAD) in customization costs for an XTC 200DTR^{PLUS} drilling rig and to pay for certain significant mobilization and start-up costs of deploying the rig to Saudi Arabia upon project award. Under the terms of the agreement, the repayment of the loan is USD$2 per day for each day the rig is earning day rate revenue, continuing until the earlier of the end of such activity or the end of the three-year term of the agreement. The loan is non-interest bearing and is secured by designated components of the customized rig. Pursuant to the agreement, the Service Company has preferential access to the rig throughout the term of the agreement. As at December 31, 2009, the Service Company had advanced $4,635 to the Company, of which $549 is included in the current portion of long-term debt.

At December 31, 2009, Xtreme Coil had no outstanding balance on the operating loan facility (at December 31, 2008, $7,878) and $39,041 on the extendible term loan, of which $11,783 was classified as current (at December 31, 2008, $58,930, of which $9,825 was classified as current).

This table summarizes Xtreme Coil's contractual obligations at December 31, 2009.

Contractual Obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**
Accounts payable and accrued liabilities	**14,139**	14,139	–	–
Income tax payable	**2,222**	2,222	–	–
Operating leases	**1,590**	663	927	–
Long term debt	**45,426**	14,067	31,359	–
Commitments	**1,675**	1,675	–	–
Total contractual obligations	**65,052**	**32,766**	**32,286**	–

The table above includes interest on the variable rate credit facilities and assumes the Company's credit facility is not extended and payments are made as required under the existing Credit Agreement as amended. Management believes cash on hand, cash provided by operating activities and amounts available under Xtreme Coil's credit facilities will be sufficient to fund payments due in less than one year.

($ in thousands, except where indicated)

Segmented Information

This table summarizes results of operations for Xtreme Coil's three geographic operating segments of Canada, Mexico and the United States.

	Three months ended			Year ended		
Revenue	**2009 Dec 31**	**2008 Dec 31**	**% Change**	**2009 Dec 31**	**2008 Dec 31**	**% Change**
Canada	**1,805**	–	100	**1,805**	3,783	(52)
United States	**5,432**	15,065	(64)	**24,328**	53,915	(55)
Mexico	**20,015**	13,859	44	**73,238**	20,416	259
Total	**27,252**	28,924	(6)	**99,371**	78,114	27

Although Xtreme Coil did not conduct drilling operations in Canada, during 2009 the Company recorded revenues of $1,805 relating to the mobilization of a rig to the Middle East.

Outstanding Common Shares

	Year ended Dec 31		
	2009	**2008**	**% change**
Common shares, beginning of year	**40,726,169**	33,965,407	20
Private placement	**12,103,500**	5,872,896	106
Performance warrants exercised	**–**	666,666	–
Employee options exercised	**44,666**	281,200	(84)
Employee options purchased	**–**	(60,000)	–
	12,148,166	6,760,762	80
Balance, end of year	**52,874,335**	40,726,169	30

At December 31, 2010, Xtreme Coil had outstanding options to purchase 3,466,336 common shares (2008 – 2,969,000) at a weighted average exercise price of $4.22 per share (2008 – $5.79).

Share capital on March 12, 2010, was $253,825 and 53,182,335 common shares were issued and outstanding. Additionally, Xtreme Coil has outstanding purchase warrants entitling the holder to purchase a total of 1,000,000 common shares and outstanding options entitling the holders to purchase 3,246,336 common shares.

Subsequent Events

On March 4, 2010, the Canadian financial institutions that provide the Company with its extendible term loan notified the Company that, among other things, the stated maturity date of its Credit Agreement had been extended to June 30, 2011, and the Company would be permitted to transfer two of its rigs to a certain affiliate for operations in Saudi Arabia. These consents will be incorporated into the fourth amendment to the Credit Agreement, which is expected to be completed by March 31, 2010.

On March 12, 2010, a wholly-owned subsidiary of the Company was awarded a long-term contract for two drilling rigs to operate in Saudi Arabia. The contract- is expected to be assigned to a newly created joint venture owned 80 percent by the Company and 20 percent by the joint venture partner by March 31, 2010. As at March 12, 2010, the Company and the joint venture partner were in the process of establishing the joint venture entity to operate the rigs and expect to have the entity fully operational by the end of March 2010. The long-term contract awarded relates to the letter of intent for Middle East operations referred to in the press release dated January 5, 2010.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer (the "certifying officers") are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company, in accordance with the requirements of Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Xtreme Coil's certifying officers cannot guarantee the Company's disclosure controls and procedures and internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well-designed and implemented, can provide only reasonable assurance of meeting the control system's objectives. Consideration must also be given to the benefits of controls in relation to the cost of such controls. Due to the inherent limitations in any control system, no evaluation of controls can absolutely assure detection of all control issues within a company. Inherent limitations include the potential for faulty judgments in decision-making and the occurrence of breakdowns resulting from simple errors and mistakes. Individual acts by some persons, or collusion by two or more people, can circumvent controls and management can override the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Disclosure controls and procedures are intended to provide reasonable assurance the Company will disclose required information, in accordance with regulatory reporting requirements, within the time periods specified. As at December 31, 2009, the certifying officers have evaluated the design and effectiveness of the Company's disclosure controls and procedures. Based on their evaluation, they have concluded disclosure controls and procedures for Xtreme Coil are designed and operating effectively to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities in a timely manner.

Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with Canadian GAAP. As at December 31, 2009, the certifying officers have evaluated the design and effectiveness of the Company's internal control over financial reporting. Based on their evaluation, they have concluded internal controls over financial reporting for Xtreme Coil are effective, but there are control deficiencies discussed below.

Xtreme Coil had a limited number of staff distributed among several geographically-dispersed locations. This created situations where it was not feasible to achieve complete segregation of duties. Also, due to the limited number of staff in different locations, Xtreme Coil has not had a sufficient number of accounting, tax and legal personnel with all of the technical accounting knowledge to address all non-routine transactions that may arise, particularly where expertise is required in specific country regulations, including taxation.

During 2009, management has worked to mitigate the risk resulting from these deficiencies by emphasizing the oversight and diligence of the certifying officers. The Company has hired qualified accounting, tax and legal personnel and engaged the services of qualified taxation consultants to assist with certain complex and non-routine accounting, tax and legal issues that may arise. In addition, Xtreme Coil has centralized the corporate accounting function in the Houston, Texas, office.

Furthermore, during 2009, United States-based general accounting activities were moved from Casper, Wyoming, to the Company's Houston, Texas, headquarters in an effort to reduce costs and enhance coordination and efficiency.

Non-GAAP Measures

Xtreme Coil uses both GAAP and non-GAAP measures to assess performance and provides non-GAAP measures as supplemental information to investors. "Operating days", "utilization", "gross margin", "EBITDA" and "net debt" do not have standardized meanings prescribed by GAAP. Xtreme Coil's method of calculating operating days, rig utilization, gross margin, EBITDA and net debt may differ from methods used by other companies and may not be comparable to measures used by others.

Operating Days

Operating days represent the total of all drilling, moving, standby and other revenue days for each drilling rig in the fleet during the period. Management uses operating days to measure rig utilization which quantifies the revenue-generating activity of the fleet of drilling rigs.

Rig Utilization

Xtreme Coil calculates rig utilization as total operating days for each rig divided by total days in service for each rig.

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($ in thousands, except where indicated)

Gross Margin

Gross margin represents revenue less operating expenses. Management believes gross margin is a useful supplemental measure of the financial performance of Xtreme Coil's principal business activities before considering how activities are financed or taxed, as well as other expenses not closely associated with activity levels. The following is a reconciliation of net income as calculated in accordance with GAAP to gross margin.

	Three months ended		Year ended	
	2009 Dec 31	**2008 Dec 31**	**2009 Dec 31**	**2008 Dec 31**
Net income	**3,048**	2,508	**10,087**	2,741
Tax expense (recovery)	**(227)**	832	**2,346**	885
Net interest expense	**599**	1,210	**3,158**	3,191
Loss on sale of equipment	**53**	8	**15**	46
Foreign exchange gain	**(192)**	(1,106)	**(2,936)**	(875)
Stock-based compensation	**318**	531	**1,261**	1,251
Amortization of intangibles	**72**	69	**284**	271
Depreciation of capital assets	**3,196**	2,486	**11,787**	7,896
General and administrative expenses	**4,039**	2,870	**13,819**	7,487
Gross margin	**10,906**	9,408	**39,821**	22,893

EBITDA

EBITDA is defined as earnings before interest, taxes, depreciation and amortization, stock-based compensation, foreign exchange gains or losses, and gains or losses on sale of equipment. EBITDA per share is defined as EBITDA divided by the Company's basic number of common shares. Management believes EBITDA and EBITDA per share are useful supplemental measures of the financial performance of Xtreme Coil's principal business activities before considering how activities are financed or taxed, and before the impact of stock-based compensation, foreign exchange rate fluctuations or sales of equipment.

Following is a reconciliation of net income as calculated in accordance with GAAP to EBITDA and EBITDA per share.

	Three months ended		Year ended	
	2009 Dec 31	**2008 Dec 31**	**2009 Dec 31**	**2008 Dec 31**
Net income	**3,048**	2,508	**10,087**	2,741
Tax expense (recovery)	**(227)**	832	**2,346**	885
Net interest expense	**599**	1,210	**3,158**	3,191
Loss on sale of equipment	**53**	8	**15**	46
Foreign exchange gain	**(192)**	(1,106)	**(2,936)**	(875)
Stock-based compensation	**318**	531	**1,261**	1,251
Amortization of intangibles	**72**	69	**284**	271
Depreciation of capital assets	**3,196**	2,486	**11,787**	7,896
EBITDA	**6,867**	6,538	**26,002**	15,406
EBITDA per share *($)*	**0.13**	0.16	**0.55**	0.40

Net Debt

Net debt is a measurement used by management and the investment community which is composed of the amount of debt less working capital.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based on historical experience, trends in the industry and information available from outside sources. Management reviews these estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material effect, positive or negative, on Xtreme Coil's financial position and results of operations. Actual results could differ from those reported.

Recoverable amounts for equipment and intangible assets

The carrying value of equipment and intangible assets is periodically reviewed for impairment or when events or changes in circumstances indicate their carrying amounts may not be recoverable. This requires Xtreme Coil to forecast future cash flows to be derived from the utilization of these assets based upon assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future. During 2009, Xtreme Coil made no adjustments to the carrying value of these assets.

Depreciation and Amortization

Accounting estimates related to depreciation and amortization have a significant impact on financial results. Depreciation incorporates estimates of useful lives and residual values of Xtreme Coil's capital assets. These estimates may change as market conditions change.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets purchased. Goodwill is not subject to amortization but is tested for impairment at least annually by applying a fair value-based test. Any goodwill impairment is recognized as an expense if the carrying amount of the goodwill exceeds its fair value. Xtreme Coil tested goodwill for impairment at December 31, 2009, and no impairment was required. Further, no information has come to management's attention as of the date of this report which would alter our assessment of the year-end testing. Goodwill is allocated to operations in Mexico.

Stock-based compensation

Compensation expense associated with options to purchase common shares at their grant date is an estimate based on various assumptions such as volatility, risk-free interest and expected life using the Black-Scholes methodology to produce an estimate of the fair value of such compensation.

Allowance for doubtful accounts receivable

Xtreme Coil assesses the credit worthiness of customers and grants credit based on past payment history, financial conditions and anticipated industry conditions. The Company monitors customer payments regularly and establishes a provision for doubtful accounts based on the specific situation and overall industry conditions. The cyclical nature of the oil and natural gas industry can cause credit risk to change suddenly and without notice.

Future tax recovery

Xtreme Coil uses the asset and liability method which takes into account the differences between financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the asset will not be realized. Estimates of future taxable income and ongoing tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions may require changes to the valuation allowances associated with Xtreme Coil's future tax assets.

New Accounting Standards Adopted

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") approved Handbook section 3064 - *Goodwill and Intangible Assets*, which replaced previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition. These updated standards were effective beginning January 1, 2009. Goodwill and intangible assets not defined as assets by GAAP have been derecognized and charged to equity of the Company. The adoption of these updated standards did not have a material impact on the earnings or assets of the Company.

Foreign Exchange Reporting of Subsidiaries
Prior to January 1, 2009, Xtreme Coil accounted for its subsidiaries in the United States and Mexico as integrated for the purposes of reporting gains and losses on foreign currency transactions. As more fully discussed in Note 3 of the Notes to the Consolidated Financial Statements, the Company began accounting for these operations as self-sustaining as of January 1, 2009. As a result of this change in accounting policy, Xtreme Coil recognized a total of $5,798 in accumulated other comprehensive loss, comprised of $32,286 comprehensive loss for the year ended December 31, 2009, and $26,488 comprehensive income in the periods prior to January 1, 2009.

Emerging Issues Committee Abstract 173 ("EIC-173") - *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, was issued by the CICA in January 2009. EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year ending December 31, 2009, with retroactive application. The adoption of EIC-173 did not impact the Company's consolidated financial statements.

Section 3862 – *Financial Instruments – Disclosures* has been amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. The Company did not have a material impact from this on its consolidated financial statements.

New Accounting Pronouncements

– International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in 2008 that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") by 2011. The Company will begin preparing its financial statements and related disclosures in accordance with IFRS as of the first quarter of 2011 with comparative data for the prior year. Although the IFRS conceptual framework is similar to Canadian GAAP, Xtreme Coil will be required to address any significant differences in recognition, measurement and disclosures.

During 2009 4Q, Xtreme Coil conducted a detailed analysis and evaluation of the major individual financial statement components. Based on these evaluations, management has determined that in addition to overall changes to presentation and disclosure, as well as a significant increase in the note disclosures required, changes to property, plant and equipment, foreign currency, share-based payments and borrowing costs will have the most significant impact on the Company's consolidated financial statements upon transition to IFRS in 2011.

Due to the nature of Xtreme Coil's business, by far the largest impact for the Company will be with respect to its equipment. Under International Accounting Standard ("IAS") 16 – *Property, Plant and Equipment*, upon the initial adoption of IFRS, the Company may chose from two alternative approaches to value individual assets. It may initially value the assets at historic cost or it can elect to restate individual items to "fair value" and elect the fair value as the deemed cost of an individual asset at that date. Another significant change relates to the more explicit componentization approach required under IFRS which has required Xtreme Coil to undergo the process of separately identifying and measuring significant individual components of its drilling rig equipment and assessing their useful lives and residual values. Significant reconfigurations to the Company's accounting system have also been required to allow Xtreme Coil to track its drilling rig equipment costs and components according to these new standards.

Currently Xtreme Coil expenses interest on its debt incurred to build its drilling rigs, as capitalization or expensing of borrowing costs is currently an accounting policy choice under Canadian GAAP. Under IAS 23 - *Borrowing Costs*, Xtreme Coil will be required to capitalize borrowing costs related to "qualifying assets" if certain conditions are met. A "qualifying asset" is defined as an asset that necessarily requires a substantial period of time to be ready for its intended use, such as a drilling rig.

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IAS 21 – *The Effects of Changes in Foreign Exchange Rates* provides for an accounting policy choice with respect to the translation of equity items for foreign operations. The choice permits translation of equity at either historical rates or current rates. Management has determined historical rates are most appropriate for Xtreme Coil to avoid potential significant fluctuations in the various components of equity.

Currently, Xtreme Coil accounts for its stock compensation expense using the Black-Scholes model. While this model is also permitted under IFRS, IFRS 2 – *Share-Based Payment* requires that the model use the accelerated vesting method and incorporate forfeiture assumptions into its calculations. The Company is in process of recalculating its stock based compensation expense under this method, including forfeiture assumptions into the model. The Company has determined it can utilize its option tracking software to run both models simultaneously in 2010 to determine the amount required under existing Canadian GAAP and the amount that would be calculated under IFRS.

As the Company continues to review its accounting policies, it continues to make appropriate changes to ensure the integrity of internal controls over financial reporting and disclosure controls and procedures. For instance, the new accounting policy under IAS 16 will require design and implementation of additional controls to ensure the value of the Company's drilling equipment is fairly stated at each reporting period. As part of this process, the Company has engaged external IT consultants to assist in reconfiguring the Company's financial reporting system. In addition, changes are being made to facilitate preparation of both Canadian GAAP and IFRS-based consolidated financial statements and to provide any additional information required as a result of additional note disclosure required under IFRS.

As of the date of this report, the Company is in the process of completing its system reconfigurations to begin finalizing the quantitative impacts of the required IFRS adjustments to its opening balance sheet for January 1, 2010. Such changes will allow the Company to track its assets as required under current Canadian GAAP (from now until December 31, 2010) and under IFRS (required as at January 1, 2011) and for the compilation of a comparative year financial information which began January 1, 2010.

During 2009 4Q, the Company identified the necessary resource requirements to establish IFRS financial reporting expertise at all levels of the business. Training of key finance and operational staff has been underway since last fall and is expected to be substantially completed by 2010 2Q.

In December 2009, the Company also held an IFRS information session with members of the board of directors (including audit committee members). During this session, management and the Company's external consultants provided the board of directors with a review of the timeline for implementation, the implications of the IFRS standards on the Company, and an overview of the potential impacts to the consolidated financial statements. The audit committee was also presented with various accounting policy choices as a result of IFRS so they could provide input into the final choices made by Xtreme Coil. Management will continue to update the board of directors and audit committee on these matters during 2010 and into 2011. Education sessions have been, and will continue to be, provided for employees, senior management and the audit committee of the board of directors to increase knowledge and awareness of IFRS and its impact.

The Company also plans to ensure its key stakeholders are informed about the anticipated effects of the IFRS transition and will be providing IFRS information as part of future investor presentations to highlight the more significant effects on the Company.

Xtreme Coil is required to meet certain financial covenants under its existing credit facility and will continue to evaluate and discuss any potential implications of changes from IFRS with its lenders.

Further, it is likely a number of IFRS standards will undergo changes prior to the 2011 adoption date. Xtreme Coil will continue to assess the impact of the proposed standards on its consolidated financial statements and disclosure as additional information becomes available throughout the year. Estimates of the financial impact as a result of IFRS adoption cannot be reasonably determined at this time.

– Future accounting standards

In January 2009, the CICA issued Section 1582 - *Business Combinations* which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier application permitted. The Company is reviewing the impact that this standard will have on its consolidated financial statements.

In January 2009, the CICA issued Handbook Section 1601 - *Consolidated Financial Statements*. This Section, together with new Section 1602 - *Non-controlling Interests*, replaces the former Consolidated Financial Statements (Section 1600) and establishes standards for the preparation of financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. The Company is reviewing the impact that this standard will have on its consolidated financial statements.

Effective January 1, 2011, the Company will be required to adopt CICA Handbook Section 1602 - *Non-controlling Interests*, which with CICA Handbook Section 1601 will supersede the existing business combinations standard. This section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. A non-controlling interest in a subsidiary will be required to be classified as a separate component of equity under this standard. The Company is reviewing the impact this standard will have on its consolidated financial statements.

Critical Accounting Policies

Depreciation

Xtreme Coil depreciates drilling rigs using units–of–production, assuming a useful life of 5,000 drilling days with an estimated residual value of 20 percent of historical cost. The Company considered several alternative methods of depreciation, including straight-line and declining balance. The Company believes the units-of-production method of depreciation, which recognizes usage of drilling equipment, is the most appropriate basis for allocating the depreciable value over its useful life.

Inventory

Inventory is composed of coiled tubing and parts and is recorded at the lower of cost and net realizable value determined on a specific item basis.

Revenue recognition

Xtreme Coil generally provides services under contracts with customers which include a fixed or determinable price based upon day rates. We recognize revenue when services are rendered or over equipment usage periods and when collection is reasonably assured.

Seasonality of Operations

Areas of the United States where Xtreme Coil has drilling operations are infrequently subject to weather constraints like hurricanes in the southern states and may also experience operational restrictions for a variety of other reasons. Some areas are subject to environmental orders which include specific well leases and can prevent drilling activity during certain periods when authorities prioritize wildlife or habitat protection. These restrictions may also affect activity levels and operating results.

In the region of Mexico where Xtreme Coil is currently active, drilling operations can be constrained by certain weather conditions, particularly hurricanes, and excessive heat or rain. These weather conditions may interrupt periods of activity which may affect operating results. On occasion, movement of drilling rigs, as well as availability of goods and services, can be subjected to delays while the authorities negotiate access or settle local disputes.

Currently, Xtreme Coil does not have field operations in Canada where seasonal weather conditions can restrict drilling operations.

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Business Risks and Uncertainties

A number of risks and uncertainties affect Xtreme Coil's operations. Although the Company takes actions to mitigate some of these risks, many risks are beyond management's control. The risks discussed in this section do not constitute an exhaustive list of all possible risks.

Credit risk – Xtreme Coil is exposed to credit risk in relation to its accounts receivable which includes balances owing from customers operating in the oil and natural gas industry. Management assesses creditworthiness of customers on an ongoing basis, as well as their ability to remit amounts owed to Xtreme Coil in accordance with standard industry practices, and considers the credit risks on these amounts as normal for the industry. Xtreme Coil is exposed to significant concentration of credit risk because the majority of accounts receivable balances are with few customers. Xtreme Coil's accounts receivable is recorded net of a provision of $0 (2008 Dec 31 – $494). To offset its credit risk, Xtreme Coil buys trade credit insurance, which covers 90 percent of trade receivables under 90 days for named buyers.

The following table summarizes the Xtreme Coil's accounts receivable amounts which management does not consider impaired.

Accounts receivable	2009 Dec 31	2008 Dec 31
Less than 90 days	**$ 21,197**	$ 22,427
Greater than 90 days and less than 180 days	**2,502**	3,632
Greater than 180 days	**5,108**	1,232
	$ 28,807	$ 27,291

Included in accounts receivable greater than 180 days at December 31, 2009, is approximately $4,400 related a customer receivable in dispute. In 2008 Q4 the Company filed suit in federal court in Colorado to recover this amount, plus interest. The Company will continue to pursue the claim to collect the outstanding amount. As at December 31, 2009, the Company has not recorded a provision for this amount.

Liquidity risk – Liquidity risk relates to risks Xtreme Coil may encounter in meeting obligations associated with financial liabilities and commitments. Since inception, Xtreme Coil entered into credit and equity financing arrangements sufficient to fund working capital requirements and to complete its rig construction program through the completion of 16 rigs, including the elective temporary suspension of two additional rigs under construction. Xtreme Coil anticipates the current level of financial capacity derived from cash on hand, cash provided by operating activities and its available credit facilities will be sufficient to fund ongoing operations and working capital needs. While the Company has, on occasion, not met certain covenants, it has obtained the necessary waivers regarding non-compliance from the lending syndicate of Canadian financial institutions. In the near term, capital spending beyond a minimal sustaining level is anticipated due to the 2010 1Q customization of the second rig under letter of intent for work in Saudi Arabia and related to ordering of certain long-lead time capital items. Long-lead time components for two XTC 300 rigs and two XTC 400 rigs have been ordered with the objective of shortening the build times of such rigs to meet potential operator requirements for additional high technology rigs. Management anticipates cash flow from operating activities will continue to be positive and anticipates collection of its accounts receivable will continue to occur in direct relation to revenue generation. In addition, management will continue to utilize available cash to reduce debt as and when deemed appropriate.

Foreign exchange – Foreign exchange volatility may give rise to gains or losses which have an effect on Xtreme Coil's financial results. Xtreme Coil currently reports all activities in CAD. As of the previously announced execution of the eight new contracts that were effective September 1, 2009, all of the Company's contracts are denominated in USD. As a result, fluctuations in the value of the USD relative to the CAD give rise to fluctuations in reported revenue. Xtreme Coil is also exposed to risk from fluctuations in foreign currency exchange rates in the United States and Mexico where operating expenses denominated in USD and MXN are translated into CAD during the reporting period.

Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the current rate as at the balance sheet date and any realized foreign exchange gains or losses are included in income, except for unrealized gains and losses in self-sustaining foreign subsidiaries, which are recorded in other comprehensive income. The Company does not currently utilize derivative instruments to manage its exposure to foreign currency rate fluctuations. Presently, a one percent change in the foreign currency exchange rate would result in a change in other comprehensive income of approximately $2,000.

Interest rates – Xtreme Coil is exposed to interest rate risk to the extent changes in market interest rates can impact operating and long-term debt facilities subject to floating interest rates. For 2009, a one percent change in the effective interest rate would have changed net income before tax by approximately $300 on an annualized basis (2008 - $422).

Proprietary technologies – Integral to Xtreme Coil's equipment design and operation are certain technologies which require proving in actual field operations. The Company cannot assure the current and future applications for Xtreme Coil's proprietary technology nor the effectiveness of these technologies in field operations. Competing technologies could prove more effective than those developed and used by Xtreme Coil. In addition, patents for which we have applied may not be issued.

Demand for contract drilling services – Demand for Xtreme Coil's COTD™ contract drilling services depends to a large extent on the level of oil and natural gas industry activity which also influences the potential to extend or continue our existing long-term contracts. Volatility in short-term drilling activity can result in revenue unpredictability. Numerous factors, over which Xtreme Coil has no control, influence industry activity including, but not limited to, fluctuations in crude oil and natural gas prices, changes in supply or demand for commodities, competition from other drilling contractors, government legislation, regulatory and economic conditions, global political and military events, international trade barriers, location access or labor disputes, as well as fuel prices and availability and environmental conservation or incidents.

Vendor services and supplies – Xtreme Coil's contract drilling services may incur risk or interruption of ongoing access to key supplies, including fuel, which could impair the ability to continue to operate our equipment. During periods in which drilling assets are under construction, Xtreme Coil depends on suppliers to deliver equipment on schedule and to meet required quality standards. Potential issues such as poor quality standards from suppliers or failure of suppliers in any aspect of construction programs have the potential to severely impact Xtreme Coil's operating activities, financial performance, reputation and retention of customers.

Performance of equipment and employees – Xtreme Coil's financial and operating results are dependent on continued successful performance of drilling rigs and related equipment and the continued operation of the existing fleet without additional significant capital expenditures. Xtreme Coil's ability to expand contracted drilling and related services depends on successful recruitment and retention of qualified personnel, when needed. Any unexpected loss of Xtreme Coil's key personnel, or inability to retain or recruit skilled personnel, could have an adverse effect on Xtreme Coil's business, results of operations and financial performance.

Outlook

The general economic uncertainty of the recession which began in late 2008 continued through 2009 4Q, with rig counts remaining well below historical averages in North America. While Xtreme Coil was successful in raising equity during 2009 2Q, credit and equity markets continue to exhibit historically high levels of volatility and access to these markets may continue to be somewhat constrained.

Late in 2009 4Q, Xtreme Coil received a letter of intent to contract a customized COTD™ drilling rig in Saudi Arabia with an integrated oilfield services company. In early 2010 1Q, a second customized COTD™ rig was committed under the same letter of intent. These rigs are being customized to perform deep re-entry drilling services on wells as deep as 5,000 meters (approximately 18,000 feet). The first of the two rigs arrived in Saudi Arabia in December 2009 and is anticipated to start operations early in 2010 2Q. The second rig will be arriving in Saudi Arabia during 2010 2Q and is anticipated to start operations late in the same quarter. This represents a new geographic region for Xtreme Coil and a new business opportunity for dual purpose COTD™ drilling rigs. These rigs will be utilized for drilling operations in Saudi Arabia by a joint venture established on March 12, 2010, owned 80 percent by a wholly-owned subsidiary of the Company.

The 10 rigs in Mexico remain working under long-term day rate contracts to operate in the Chicontepec oil development, which were executed in 2009 3Q. These contracts cover a term of 18 months of full

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utilization with varying day rates for operating, move, standby and force majeure. There have been high levels of uncertainty on the number of wells the operator will commit to drill in 2010 and the resultant activity levels. All of Xtreme Coil's rigs have continued to work in Mexico through 2009 4Q and indications are that activity levels will continue to require the rigs in 2010. However, the risk remains that the operator could reduce activity levels and such a reduction could impact Xtreme Coil in Mexico.

Throughout 2009, the Company had three rigs working in the United States under long-term contracts. One of the three contracts ends in 2010 3Q and another ends in 2010 4Q; however, the Company is optimistic about executing long-term contract extensions for these rigs.

At the end of 2009, Xtreme Coil had 13 of its 16 rigs operating under long-term contracts in Mexico and the United States and 15 of 16 rigs committed. As previously announced, Xtreme Coil contracted the 16th rig in the fleet under a short-term contract to drill a geothermal well in Nevada which results in a 100 percent commitment of all drilling rigs in the fleet for a period of time in early 2010. The Company expects 2010 1Q operating days compared to 2009 4Q will thus improve and the two rigs to be deployed in Saudi Arabia are expected to further improve operating days in 2010 2Q.

The Company continues to pursue and evaluate opportunities for drilling projects inside and outside North America. Additionally, there continue to be opportunities in the Middle East, North Africa, Australia and Asia. Generally, these regions have relatively stable drilling demand compared to the United States and Canada, where drilling markets have only recently shown early signs of recovery from significantly depressed rig counts. The Company is prepared to pursue any additional opportunities made available by companies who are potential customers for Xtreme Coil rigs. Management believes Xtreme Coil offers new technology drilling rigs with differentiating technology which may position the Company to respond to any potential changes in development plans.

Xtreme Coil has placed orders for long lead components for two XTC 300 rigs and two XTC 400 rigs with the objective of shortening the build times for such rigs. Once the components are received, this will result in quicker delivery times and thus better position the Company to meet the expectations of operators requiring additional high technology rigs for their projects. Combined with the capital expenditures previously committed to customize the second rig for Saudi Arabia, and the Company's ongoing sustaining capital expenditure requirements, Xtreme Coil's capital expenditure estimates for the first half of 2010 will be approximately $18,000. Additional capital expenditures of approximately $52,000 will be required to complete the construction of the four rigs mentioned above. To address capacity constraints Xtreme Coil faces with its high fleet utilization rate, the Company's board of directors has approved these additional expenditures, subject to approval of financing. In addition, further capital plans are still in development for the joint venture previously announced for the Saudi Arabia rigs.

Activity levels have improved for many contractors offering higher technology rigs in North America. For 2010, Xtreme Coil will continue to advance strategic opportunities for contracts inside and outside of North America. In response to interest generated from discussions initiated throughout 2009 in several international drilling regions, the Company is pursuing a range of projects which could utilize the advanced capabilities of its COTD™ drilling rigs.

Additional Information

Information relating to Xtreme Coil is available on SEDAR at www.sedar.com. To obtain copies of published corporate information, contact investor relations at Xtreme Coil Drilling Corp., 1402, 500 Fourth Avenue SW, Calgary, AB T2P 2V6 (telephone +1 403 262-9500), visit Xtreme Coil's website www.xtremecoildrilling.com or e-mail ir@xtremecoil.com.

2009 Trading

	Open	High	Low	Close	Volume
Quarter 1	$1.80	$2.24	$1.08	$1.40	2,712,132
Quarter 2	$1.49	$4.71	$1.40	$3.90	3,562,076
Quarter 3	$3.90	$6.00	$3.11	$5.60	6,540,447
Quarter 4	$5.61	$5.80	$3.94	$4.19	1,971,337
					14,785,992