



ANNUAL INFORMATION FORM

Year ended December 31, 2009

March 30, 2010

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FORWARD LOOKING STATEMENTS

This Annual Information Form ("AIF"), 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 the future outlook for Xtreme Coil Drilling Corp. ("Xtreme Coil") 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 2010 guidance provided throughout this AIF.

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 operations, 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 AIF reasonable, based on information available to management as at March 30, 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 Corporation'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 AIF, 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; and global political or military events.

Financial outlook information contained in this AIF 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 AIF 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, Xtreme Coil whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise.

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 AIF, 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.";

"**Coil-X**" means Coil-X Drilling Systems Corporation prior to May 1, 2008 and Coil-X Drilling Systems Limited after May 1, 2008;

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

"**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 Norquay Shares, issued to Canaccord Capital Corporation pursuant to Norquay's initial public offering;

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

"**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 of the Amalgamation; and

"**Xtreme Coil**" or the "**Corporation**" means Xtreme Coil Drilling Corp., a company amalgamated under the laws of the Province of Alberta, either alone or together with any Subsidiary of Xtreme Coil.

XTREME COIL DRILLING CORP.

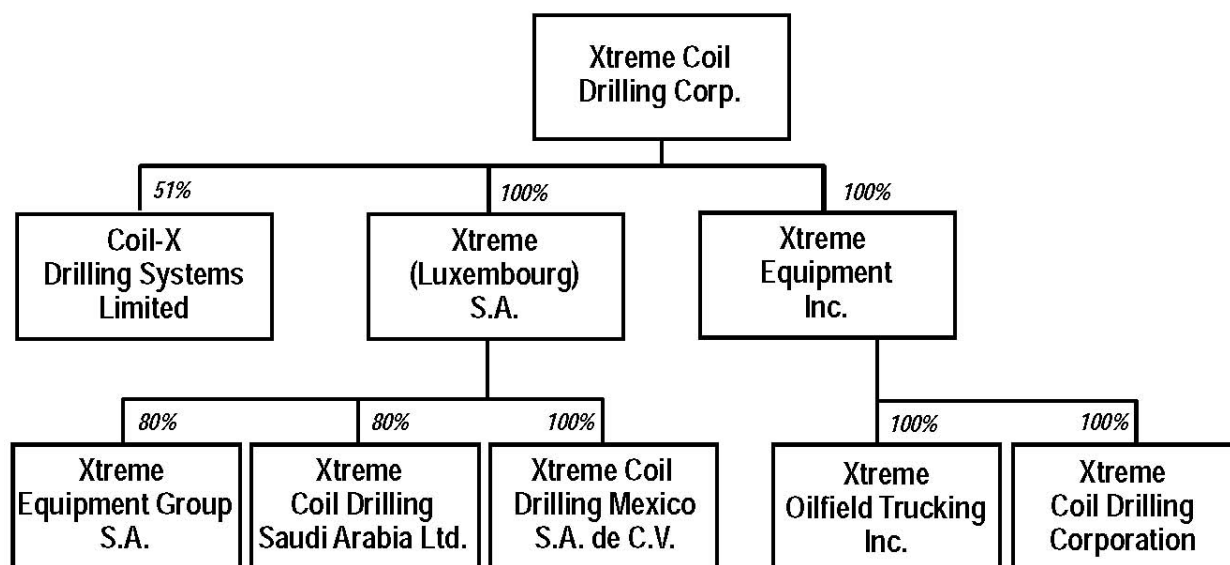
General

The Corporation 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 headquarters is in Houston, Texas, United States of America (“**United States**”). The Corporation maintains a corporate office in Calgary, Alberta, Canada, and a warehouse in Casper, Wyoming. In the Federation of Mexican States (“**Mexico**”), Xtreme Coil's operations are managed from office and warehouse facilities near Poza Rica, in the state of Veracruz. Pursuant to the announcement of a contract and joint venture in the Kingdom of Saudi Arabia (“**Saudi Arabia**”), the Corporation is establishing a field operations office in Al Khobar, Saudi Arabia.

Intercorporate Relationships

The following diagram sets out the current organizational structure of the Corporation, as well as the name, the percentage of voting securities beneficially owned, or controlled or directed, 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.



Name

- Xtreme Coil Drilling Corp.
- Coil-X Drilling Systems Limited¹
- Xtreme (Luxembourg) S.A.
- Xtreme Equipment, Inc.
- Xtreme Equipment Group S.A.
- Xtreme Coil Drilling Saudi Arabia Ltd.
- Xtreme Coil Drilling Mexico, S.A. de C.V.
- Xtreme Oilfield Trucking, Inc.
- Xtreme Coil Drilling Corporation

Place Incorporated

- Province of Alberta
- Province of Alberta
- Grand Duchy of Luxembourg
- State of Delaware
- Grand Duchy of Luxembourg
- Kingdom of Saudi Arabia
- Federation of Mexican States
- State of Wyoming
- State of Texas

¹Coil-X has not commenced active operations to date

GENERAL DEVELOPMENT OF THE BUSINESS

Xtreme Coil develops and applies leading-edge patented and other proprietary technology and designs to build, transport, and operate Coil Over Top Drive[®] ("COTD[™]") drilling rigs under contract in the United States, Mexico, and, in early 2010, in Saudi Arabia. The Corporation routinely undertakes patent applications to protect new drilling and related equipment designs and technologies in the United States, Canada and other jurisdictions. In addition to their coil capabilities, COTD[™] rigs are designed to drill with conventional jointed drill pipe. Also contracted 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 Xtreme Coil'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.

When new rigs are required for the fleet, Xtreme Coil hires third parties under contract to build COTD[™] drilling rigs. The Corporation built, assembled, commissioned and deployed the original fleet of sixteen drilling rigs over a period of approximately two and a half years from a manufacturing location in Canada. Xtreme Coil's first drilling rig commenced field operations in Alberta in July 2006. Xtreme Coil's most recent operations focus on Mexico and the United States, with a larger proportion of active drilling operations occurring in Mexico at 2009 year-end. Early in 2010, Xtreme Coil announced a contract to deploy and operate two customized COTD[™] re-entry drilling rigs in Saudi Arabia. The Corporation continually identifies, analyses and responds to business opportunities within and outside North America with the ultimate objective of achieving maximum rig utilization.

Xtreme Coil has designed seven models of COTD[™] drilling rigs, with six designs completed and deployed.

At December 31, 2009, Xtreme Coil had ten 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 ten rigs working in Mexico had long-term contracts executed in September 2009. Six of the rigs had previously worked on this project beginning in 2008 and the four additional rigs commenced operations in 2009.

At December 31, 2009, the Corporation had three drilling rigs working in the United States under contracts with a large independent crude oil and natural gas exploration and production ("E&P") company. In February 2010, a fourth rig was prepared and deployed to operate with coiled tubing in Nevada where the project involved drilling a deep geothermal test well.

At December 31, 2009, Xtreme Coil had deployed one newly customized COTD[™] drilling rig to Saudi Arabia and was modifying and customizing a second rig for the same deep re-entry drilling project for which the Corporation announced a contract in mid-March 2010.

At March 23, 2010, Xtreme Coil held 16 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 (eight), the Canadian Intellectual Property Office (seven) and the Eurasian Patent Organization (one). In March 2010, the jurisdiction of Indonesia approved two further Xtreme Coil patent applications and advised it 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 Corporation'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 coiled tubing and up to 9,000 meters (approximately 30,000 feet) for re-entry applications with smaller diameter coiled tubing.

Three Year History

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 Shell Technology Ventures B.V. ("STV") for 160,000 Common Shares at a price of \$10.50 per Common Share.

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. As activity slowed in late 2008 and into 2009, the Corporation determined the trucking fleet was not core to Xtreme Coil's

business. All employees were terminated by April 30, 2009 and the trucking assets were redeployed and stacked. During 2009, some of the assets were used for the customization of rigs for Saudi Arabia since many of the components were designed to be mounted on trailers. Additionally a number of the trucking assets were sold and are continuing to be sold to interested parties. The office in Cheyenne, Wyoming is under lease until May 31, 2010 and will not be renewed.

On May 1, 2008, Xtreme Coil and Shell Technology Ventures Fund 1 B.V. ("**STVF1**") completed a private placement pursuant to which STVF1 subscribed for 4,780,000 Common Shares at a price of \$7.32 per Common Share for aggregate gross proceeds of \$34,989,000.

On May 1, 2008, Xtreme Coil completed the acquisition of the 49 percent interest held by STVF1 in Coil-X Drilling Systems Corporation ("**Coil-X**") (a joint venture formed in 2006 by Xtreme Coil and STV), including STVF1's outstanding loan to Coil-X, by the issuance of 1,092,896 Common Shares at a price of \$7.32 per Common Share, 1,000,000 purchase warrants and 700,000 performance warrants. Each whole purchase warrant and performance warrant will entitle STVF1 (once vested, in the case of the performance warrants) to purchase one Common Share for \$9.87 for a period of 24 months following the date of closing of the transaction. The closing of the purchase of STVF1's interest also resulted in cancellation of 2,092,574 warrants previously held by STVF1.

Following completion of the acquisition of STVF1's interest in Coil-X, Xtreme Coil and STVF1 formed a new joint venture entity, Coil-X Drilling Systems Limited, owned 51 percent by Xtreme Coil and 49 percent by STVF1. This joint venture entity has the right to use Xtreme Coil's technology to pursue the design, manufacture, purchase and operation of drilling rigs for use in certain types of unconventional resource exploration. As at March 29, 2010, this new joint venture had not commenced active operations.

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 million operating loan facility and a revolving extendible facility, initially set at \$70 million which reduced as scheduled to \$60 million 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 Corporation was in compliance with all of the financial covenants associated with its credit facilities; however, at December 31, 2008 and March 31, 2009, the Corporation 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. The syndicate provided waivers with regard to covenant non-compliance for twelve months following the respective balance sheet dates of non-compliance. Funds drawn under the credit facilities may be denominated in either CAD or USD, with the limits of the facilities being the CAD equivalent.

In June 2008, Xtreme Coil established Xtreme Coil Drilling Mexico, S.A. de C.V., in Mexico as a wholly-owned subsidiary to enter into contracts for drilling operations which required transfer of drilling rigs and related equipment into that region. During the remainder of 2008, Xtreme Coil leased an office, deployed drilling rigs and related equipment, established a warehouse and engaged a range of employees to manage day-to-day operations in Mexico.

In October 2008, Xtreme Coil entered into a joint marketing agreement with INTEQ, a division of the worldwide drilling services company, Baker Hughes Incorporated. Under the agreement, the two parties will provide innovative solutions to customers who use Xtreme Coil's COTD™ drilling rigs and INTEQ's directional drilling tools. The initial focus will be field testing Xtreme Coil's coiled tubing using the TruTrak™ rotary steerable tool and undertaking re-entry drilling projects with the CoilTrak® bottom hole assembly system. The intended objective is to combine COTD™ drilling rigs with INTEQ tools to introduce significant technical drilling improvements to both parties' current and future customers. The TruTrak™ tool was utilized on some wells drilled in Mexico in 2009 with positive results. Baker Hughes' award of a contract to Xtreme Coil for two rigs in Saudi Arabia was related to the alignment achieved through the joint marketing agreement. The focus of the agreement has been re-entry projects, followed by other projects where Xtreme Coil rigs may offer a differentiating value.

On November 10, 2008, the Corporation 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 under Tranche B (as defined below) and permitted the transfer of those rigs to certain affiliates of the Corporation.

On May 29, 2009, Xtreme Coil executed the second amendment to the Credit Agreement. The amendment extended the existing credit facilities, continuing the \$15 million operating loan facility (“**Tranche A**”) and converting the \$60 million revolving credit facility into an extendible term loan (“**Tranche B**”). The 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 June 30, 2009, Xtreme Coil completed an equity offering under a “bought deal” arrangement which raised net proceeds of \$43.4 million on issuance of 11,845,000 Common Shares at a price of \$3.90 per Common Share. At the same time, the Corporation undertook a non-brokered private placement with net proceeds of \$1.0 million on issuance of 258,500 Common Shares at a price of \$3.90 per Common Share.

On November 20, 2009, the Corporation 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 entered into an agreement with a major diversified oilfield services company (the “**Service Company**”), in which the Service Company agreed to fund up to approximately \$5.99 million in customization costs for an XTC 200DTR^{PLUS} drilling rig and pay for certain significant mobilization and start-up costs of deploying the rig to the Middle East upon project award. Under the terms of the agreement, the repayment of the loan is USD\$2,000 per day for each day the rig is earning day rate, continuing until the earlier of the end such activity or the three-year term of the agreement. The loan is non-interest bearing and is secured by designated components on 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 \$4.6 million to Xtreme Coil.

At December 31, 2009, Xtreme Coil had no outstanding balance on the operating loan facility and \$39.0 million on the extendible term loan, of which \$11.8 million was classified as current.

In February 2010, Xtreme Coil announced the commitment of the sixteenth rig in the fleet to drill under contract in western Nevada, the Corporation’s first project in that state. The rig was deployed in February to drill a vertical test well with coil to a depth of approximately 2,200 meters for Sierra Geothermal Power Corp., a renewable energy company commencing operations on a deep geothermal pilot project. This constitutes the first use of coiled tubing in a deep geothermal drilling application.

On March 4, 2010, the Canadian financial institutions that provide the Corporation with its extendible term loan notified Xtreme Coil, among other matters, the stated maturity date of its Credit Agreement had been extended to June 30, 2011, and the lenders would permit the Corporation to transfer two of its rigs to a certain affiliate for operations in Saudi Arabia. The parties to the Credit Agreement expect to incorporate these consents in the fourth amendment to the Credit Agreement in 2010 2Q

On March 12, 2010, Xtreme Coil and its affiliates announced a collaboration agreement to form a joint venture entity with Suhayl Abdul Mohsin Al Shoaibi & Sons Holding Company Limited and its affiliates (“**Shoaibi Group**”) related to developing new business in the Middle East and North Africa (“**MENA**”). Xtreme Coil will own 80 percent and Shoaibi Group will own 20 percent of the new companies. This business collaboration is intended to guide the creation of joint venture companies to promote and provide certain Xtreme Coil contract drilling services and products through Shoaibi Group’s operations and market expertise in Saudi Arabia and Algeria targeting national oil companies and their global affiliates as well as to other companies operating in Saudi Arabia, Bahrain and Algeria.

On March 12, 2010, the Christensen Saudi Arabia Limited, an affiliate of Baker Hughes Incorporated, awarded a wholly-owned subsidiary of the Corporation a long-term contract for two drilling rigs to operate in Saudi Arabia. It is expected this contract will be assigned to a newly created joint venture that will operate the rigs.

Xtreme Coil's early capital plans called for the construction of eighteen drilling rigs. The Corporation temporarily suspended construction on the last two of these rigs in 2008 third quarter when economic uncertainty significantly decreased demand in the United States drilling market.

On March 12, 2010, Xtreme Coil announced approval for the placement of 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. On receipt of the components, the Corporation expected to achieve quicker delivery times and be better positioned to meet the expectations of operators requiring additional Xtreme Coil rigs for their projects. Combined with the capital expenditures previously committed to customize the second rig for Saudi Arabia, and Xtreme Coil's ongoing sustaining capital expenditure requirements, Xtreme Coil's capital expenditure estimates for the first half of 2010 were approximately \$18 million. The Corporation expected additional capital expenditures of approximately \$52 million would be required to complete the construction of the four rigs. To address the capacity constraints Xtreme Coil faced with its high fleet utilization rate, the board of directors approved the additional expenditures, subject to their review and subsequent approval of any proposed financing arrangement. In addition, further capital plans were still in development for the joint venture announced for the Saudi Arabia rigs.

On March 18, 2010, upon receipt of a notification from the Corporation's customer which resulted in uncertainty in terms of rig activity in Mexico, Xtreme Coil suspended, without penalty, orders for certain long-lead time capital components until rig activity levels can be determined with more certainty.

At March 23, 2010, Xtreme Coil held 16 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 (eight), the Canadian Intellectual Property Office (seven) and the Eurasian Patent Organization (one). In March 2010, the jurisdiction of Indonesia approved two further Xtreme Coil patent applications and advised it 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 Corporation'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 coiled tubing and up to 9,000 meters (approximately 30,000 feet) for re-entry drilling applications with smaller diameter coiled tubing.

Significant Acquisitions and Dispositions

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

DESCRIPTION OF THE BUSINESS AND OPERATIONS

General

Xtreme Coil develops and applies leading-edge patented and patent-related technology and designs to build, transport, and operate COTD™ drilling rigs under contract in the United States, Mexico and, beginning in early 2010, in Saudi Arabia. The Corporation routinely undertakes patent applications to protect new drilling and related equipment designs and technologies in the United States, Canada and other jurisdictions. In addition to their coil capabilities, COTD™ rigs are designed to drill with conventional jointed drill pipe. Also contracted 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 Xtreme Coil'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.

Xtreme Coil continues to pursue and evaluate opportunities for drilling projects inside and outside North America. 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 begun to show signs of recovery early in 2010 from significantly depressed rig counts during late 2008 and throughout most of 2009. Management believes Xtreme Coil offers drilling rigs with differentiating technology which may position the Corporation to respond to any potential changes in development plans.

Xtreme Coil's headquarters is in Houston, Texas, United States. The Corporation maintains a corporate office in Calgary, Alberta, Canada, and a warehouse in Casper, Wyoming, United States. In Mexico, Xtreme Coil's operations are managed from office and warehouse facilities near Poza Rica, in the state of Veracruz. Pursuant to the announcement of a contract and joint venture in Saudi Arabia, the Corporation is establishing a field operations office in Al Khobar, Saudi Arabia.

Operations

Xtreme Coil's core business focuses on the design, manufacture and operation of coiled tubing drilling rigs. Xtreme Coil has seven rig designs of which six have been built. Xtreme Coil has four models of XTC 200, a single trailer ("**ST**"), a double trailer ("**DT**"), a **DT^{Plus}** which incorporates the double trailer and a 200,000 pound injector and a **DTR^{Plus}**. The ST design was developed originally for the Canadian market while the DT and the **DT^{Plus}** were developed for operations in the United States. During 2007, Xtreme Coil designed and built the first XTC 200 **DT^{Plus}**. During 2007 and 2008, Xtreme Coil built several XTC 300 and XTC 400 **COTDTM** rigs. These larger rigs were deployed to the United States and Mexico. In 2009, the **DTR^{Plus}** was specifically customized for deep re-entry drilling. Currently, Xtreme Coil operates the majority of its rigs in Mexico and the United States' markets because of the greater number of days the rigs can work. In the United States and Mexico, operating days can reach 365 days whereas, in Canada, drilling rigs can operate approximately 250 days. (See "Seasonality" and "Cyclical and Seasonal Nature of Industry".) With the expected deployment of two rigs to Saudi Arabia in 2010 second quarter, similar operating days to those in the United States and Mexico are expected.

Currently, Xtreme Coil has four rigs based in the United States, ten rigs in Mexico and two rigs committed to new operations in Saudi Arabia, with one already deployed and the second preparing to deploy. In Mexico and 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). In Saudi Arabia, the XTC 200**DTR^{Plus}** is contracted to re-enter existing wells and drill horizontally into untapped reservoirs which are critical to overall reserves recovery. The target re-entry wells are deep and technically challenging, have multi-lateral well profiles and require under balanced drilling. Xtreme Coil's XTC 300 and 400 rigs are designed for deeper zones and Xtreme Coil believes its competitive advantage lies in drilling with larger coiled tubing or conventional drill pipe to reach deeper horizons.

Xtreme Coil has contracts for three drilling rigs with Kerr-McGee Oil & Gas Onshore LP ("**Kerr-McGee**") for drilling of wells in the Rocky Mountain region of the United States. These contracts expire between 2010 and 2011. In 2006, after Xtreme Coil entered into these contracts, Anadarko Petroleum Corporation ("**Anadarko**") acquired Kerr-McGee, which resulted in Xtreme Coil having contracts with Anadarko.

In 2008, Xtreme Coil's wholly-owned subsidiary, Xtreme Coil Drilling Mexico, S.A. de C.V., contracted six **COTDTM** drilling rigs to Weatherford de Mexico S.A. de C.V. ("**Weatherford**"). This long-term commitment in Mexico resulted in deployment of two XTC 300, two XTC 400 and two XTC 200**ST** drilling rigs to commence operations between August 2008 and December 2008 in the Chicontepec region of the state of Veracruz, Mexico. Between August and December 2009, each of the six contracts had a renewal extension option period of at least one year.

Early in 2009, Xtreme Coil entered into a new long-term day rate contract with Weatherford for two further XTC 400 drilling rigs. During 2009 first quarter, these two rigs were being equipped and readied for transportation and drilling operations began in 2009 second quarter. With these rigs are in operation, Xtreme Coil had eight drilling rigs operating in the Chicontepec oil development project near Poza Rica.

Subsequently, in July 2009 Xtreme Coil entered into new long-term day rate contracts with Weatherford for two XTC 200 **DT^{PLUS}** rigs which started operations during 2009 third quarter following preparation of the rigs in Texas. This increased the rigs to ten in operation in the Chicontepec oil development project near Poza Rica.

In September 2009, Xtreme Coil entered into new long-term contracts for eight of the ten rigs working in the Chicontepec project under new day rates and with new terms and conditions of substantially the same form as the July 2009 contracts. Xtreme Coil continued with ten rigs operating in the Chicontepec oil development project near Poza Rica with all of the rigs having three renewal extension option periods of at least six months following the completion of the initial term in 2011.

On March 12, 2010, Christensen Saudi Arabia Limited, an affiliate of Baker Hughes Incorporated, awarded a two-year contract to Xtreme Coil (Luxembourg) S.A., a wholly-owned subsidiary of Xtreme Coil. It is expected that, on or before March 31, 2010, Xtreme Coil Drilling Saudi Arabia Limited, a newly created joint venture owned 80

percent by Xtreme (Luxembourg) S.A. and 20 percent by Shoaibi Group, will be assigned this contract on finalization of the remainder of the joint venture details. The long-term contract requires two fit-for-purpose drilling rigs to perform under balanced coiled tubing drilling on re-entry wells in the natural gas fields located in southern Saudi Arabia. The parties expect the first of the two rigs under contract to commence drilling early 2010 second quarter. The two-rig contract has an option for an extension of one year as well as the potential to increase the number of rigs deployed.

On March 17, 2010, Weatherford notified Xtreme Coil, with respect to their operations in the Chicontepec development project in Mexico, it had received operator notification there was no remaining budget for expenditures relating to contracted work in projects known as ATG I & II and, therefore, the operator did not expect to drill the total number of wells initially planned for these projects.

Xtreme Coil conducts ongoing discussions with E&P companies and other potential customers in the United States, Mexico and other international regions with the objective of securing additional long-term drilling services contract.

Operational Capacity

Of the average number of rigs operating by region, Xtreme Coil's fleet of ten rigs in Mexico represent about 7.8 percent, four rigs in the United States represent about 0.4 percent and two rigs expected to operate in Saudi Arabia represent about 2.9 percent. Given the size of these markets, the number of rigs operated or expected to be operated by Xtreme Coil is not sufficient to calculate their impact on these regions.

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

Xtreme Coil's ability to compete and expand drilling 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 construct rigs and to expand drilling services. The Corporation sources materials and components based on industry standard terms and pricing. If Xtreme Coil's 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 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 Equipment Parts".)

Business Climate and Market for Services

Activity levels have improved for many drilling 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 Corporation is pursuing a range of projects which could utilize the advanced capabilities of its COTD™ drilling rigs.

In drilling regions worldwide, coiled tubing drilling technology may enable Xtreme Coil's customers to reduce their finding and development costs or to capture cost savings by reducing average drilling times. Coil rigs are intrinsically safer than conventional rigs, a major focus for customers. Xtreme Coil provides new equipment built with leading edge technologies, primarily intended to respond to specific projects, and ultimately, to reduce overall drilling time and expenses. 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. A large percentage of the world's existing land drilling fleet is comprised of older rigs which, primarily because of their age, may be less efficient and less safe than Xtreme Coil's newer 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

markets where we operate or enter, including Mexico, the United States, the Middle East and other international regions.

Xtreme Coil rigs are capable of operating with drill pipe or with coiled tubing, and, thus, are dual-purpose. They can perform in conventional drill pipe mode and compete in the industry with other high technology rigs. In terms of the specific benefits of coiled tubing drilling versus conventional drilling, Xtreme Coil considers the primary benefits of coiled tubing drilling to be: faster penetration rates and tripping than conventional rigs, reduced exposure to risks related to well control and stuck pipe; potentially safer and more efficient operations and environmentally-responsible operation and transportation. As an added benefit, COTD™ rigs can transition quickly between drilling with coiled tubing and drilling with conventional jointed drill pipe. Xtreme Coil's rigs have achieved best in class performance in many areas when drilling with drill pipe compared to competitors in the same regions. In the past, Xtreme Coil drilling rigs have demonstrated their capability to drill deeper directional and "S" curve wells with coil and to drill efficiently with safer handling of conventional drill pipe. Xtreme Coil believes COTD™ rigs are particularly suited to re-entry drilling of existing wells since coiled tubing drilling provides additional efficiency in under balanced drilling operations and bottom hole assemblies required for re-entry drilling are readily available.

Xtreme Coil's business objective is to achieve critical mass of operations which has the potential to spread the cost of operations over multiple rigs with profitable contracts. The Corporation's strategy is to become one of the few companies in the world to develop successful technologies to operate larger coiled tubing and, at the same time, to improve on methods for conventional drilling. Xtreme Coil's proprietary technologies have broad application to under balanced drilling, side-track, directional and "S" curve, re-entry of existing wellbore drilling, deep geothermal, coal bed methane, and Steam Assisted Gravity Drainage projects.

Revenues Generated by Categories of Principal Products

The following regions accounted for Xtreme Coil's total consolidated revenues from third parties for the applicable period.

<u>Provision of contract drilling services</u>	<u>Year Ended 2009 Dec 31</u>	<u>Year Ended 2008 Dec 31</u>
United States	24 percent	69 percent
Mexico	74 percent	26 percent
Canada	2 percent	5 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 for using larger coiled tubing on its own or in combination with conventional jointed pipe to drill to deeper geological horizons. As we encounter and resolve challenges in drilling with coiled tubing to new depths, Xtreme Coil applies for patents to protect these new techniques and any newly developed equipment. Employee expertise is increasing as we learn more about both coiled tubing and conventional drilling and overcome challenges at depths below 2,000 metres (6,500 feet).

In March 2009, Xtreme Coil Drilling Corp. was awarded the "New Exporter" category at the inaugural Alberta Export Awards event hosted in Edmonton by the Alberta division of Canadian Manufacturers and Exporters (CME-Alberta) with participation of a number of senior representatives from industry and government. CME-Alberta cited the inaugural Alberta Export Awards as recognizing "the province's very best exporters".

Intangible Property

At March 23, 2010, Xtreme Coil held 16 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 (eight), the Canadian Intellectual Property Office (seven) and the Eurasian Patent Organization (one). In March 2010, the jurisdiction of Indonesia approved two further Xtreme Coil patent applications and advised it 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 Corporation'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 coiled tubing and up to 9,000 meters (approximately 30,000 feet) for re-entry drilling applications with smaller diameter coiled tubing.

In some instances, Xtreme Coil relies on trade secrets and patent-applied-for expertise to maintain our competitive position. The Corporation's strategy is to employ proprietary intellectual property to create barriers to entry by competitors. Xtreme Coil will continue to pursue a strategy of applying to patent all newly developed technologies and related equipment. It is possible Coil-X could present future opportunities to develop and access certain new technologies related to unconventional resource development.

Cyclical and Seasonal Nature of Industry

Areas of the United States where Xtreme Coil conducts drilling operations are infrequently subject to weather constraints like hurricanes, especially in the southern states, but may experience operational restrictions for other reasons. Some areas are subject to environmental orders for specific well leases which 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's rigs are located, drilling operations can be constrained by certain weather conditions, particularly hurricanes, as well as 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 goods and services, can experience delays while 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. Particularly, movement of heavy equipment in the north depends on ground freezing to support equipment. Road bans prevent heavy equipment from moving until the ground is dry enough to support the weight of loads. The timing and duration of freezing and thawing can affect drilling activity levels and operating results.

In the region of Saudi Arabia where Xtreme Coil's rigs will be located, desert weather conditions can impact drilling operations. This includes excessive heat and sand storms which may interrupt periods of activity and affect operating results.

The contract drilling services business is affected by cycles in commodity prices for crude oil and natural gas. Commodity price affects Xtreme Coil's customer budgets resulting in changes in demand for drilling services and equipment. In the latter half of 2008, the United States and Canada experienced a significant downturn in drilling demand due to sharply lower commodity prices. During 2009, Xtreme Coil responded to robust drilling demand in Mexico. The historic decline in daily oil production required aggressive expansion of onshore drilling operations, particularly in the Chicontepec area where the Corporation's rigs operated and where Xtreme Coil now has a full complement of employees and contractors with operational and technical expertise.

On March 17, 2010 Xtreme Coil received notification from the Corporation's customer, a global integrated oilfield services company ("**Services Company**"), with respect to their operations in the Chicontepec development project in Mexico. The Services Company advised it had received operator notification that there was no remaining budget for expenditures relating to contracted work in projects known as ATG I & II and, therefore, the operator did not expect to drill the total number of wells initially planned for these projects.

Xtreme Coil Drilling México, S.A. de C.V., a wholly-owned subsidiary of Xtreme Coil, executed term contracts in 2009 third quarter to provide the Services Company with ten drilling rigs for work in the ATG projects, with several of those drilling rigs recently working in ATG I & II. Xtreme Coil is currently evaluating how this situation might affect future drilling rig activity to determine the appropriate next steps regarding the Corporation's operations in Mexico. Xtreme Coil and the Services Company are currently working to clarify details with respect to activity levels pending receipt of further information, including details from the operator regarding its budget for 2010. Xtreme Coil and the Services Company are exploring options to deploy drilling rigs from ATG I & II to other locations.

Due to the high level of uncertainty in Mexico about the number of wells the operator would commit to drill in 2010 and the risk that reduced activity levels could impact Xtreme Coil in that region, the Corporation had announced it was pursuing, and continues to pursue, discussions related to opportunities for re-deployment of its drilling rigs to projects inside and outside North America. Xtreme Coil announced in mid-March, the suspension, without penalty, of orders for certain long-lead time capital components until there is more certainty regarding anticipated activity levels.

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 pricing of services which could impact Xtreme Coil's future corporate performance. Demand for coiled tubing drilling rigs designed and manufactured by Xtreme Coil has previously depended, to a large degree, on drilling activity in the United States which has historically shown significant fluctuations from year to year. In late 2008 and throughout 2009, the Corporation deployed and operated drilling rigs in Mexico to diversify operations away from the dampened United States and Canadian drilling markets. In 2009, two customers accounted for 97 percent of Xtreme Coil's revenue.

Traditionally, the market in Mexico features very large drilling projects which involve multi-well programs undertaken over several years. Also in Mexico, certain integrated service providers contract bundled services to the national oil company which is the primary customer. To date, Xtreme Coil has contracted drilling services to an integrated service provider and not directly to the primary customer and operator.

In response to Mexico's projects focused on increasing oil production, Xtreme Coil continues to discuss further opportunities to deploy Xtreme Coil's drilling rigs to ongoing and new projects with other potential customers in that country.

Late in 2009, Xtreme Coil announced, under a letter of intent, preparations to begin modifications and customization of two existing rigs as fit-for-purpose re-entry drilling rigs with the intention of deploying the two rigs to Saudi Arabia to commence land drilling operations in that region. With the further announcement in mid-March 2010 of an executed contract for the two drilling rigs and a new Saudi Arabia joint venture with the Shoaibi Group, Xtreme Coil intends to actively pursue further opportunities to expand its contract drilling services in the Middle East and North Africa.

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 customers 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, especially when commodity prices collapse, or rig performance issues could result in customers renegotiating or terminating contracts.

Competitive Conditions

Xtreme Coil's business success is dependent, in large part, to the general vibrance of companies who explore for, develop and/or produce crude oil and natural gas in Mexico, the United States, the Middle East and, in the future, other international regions. Accordingly, in addition to the various federal, provincial, state and municipal regulations to which Xtreme Coil adheres in conducting ongoing operations, our operations are also sensitive to industry conditions that affect our customers, 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 Mexico, the United States and other regions. In many regions, current legislation is a matter of public record. However, 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 customers located in Mexico and the United States and expects to commence operations in 2010 second quarter in the Middle East. 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 where Xtreme Coil operates are service quality, price and availability, reliability and performance of equipment used to perform drilling services, technical knowledge and experience and reputation for safety. Xtreme Coil competes with conventional drilling rigs as well as rigs with both drill pipe and coiled tubing drilling capabilities. Competitors, many of them larger than Xtreme Coil, offer similar services in all geographic regions where 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 drilling markets in Mexico, the United States 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 2010. 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, 2009, Xtreme Coil employed approximately 435 full time, non-union and third-party employees. In Mexico, Xtreme Coil had committed to hiring and training local workers and entered into contracts with third parties to provide recruitment and payroll services suitable for engaging local workers. Xtreme Coil increased staffing levels in early 2009 as recruiting for Saudi Arabia operations was initiated.

In 2010, Xtreme Coil may increase or decrease regional staffing primarily in proportion to any change in the number of rigs operating in a specific locale. Recent uncertainties in Mexico will result in employee reductions in the near term and future staffing plans will depend on actual rig utilization levels.

Risks of Foreign Operations

Xtreme Coil currently conducts drilling operations primarily in the United States and Mexico and is preparing to commence operations in Saudi Arabia. Since inception, and until 2008, we designed, constructed and commissioned our new COTD™ drilling rigs in Canada. During 2009, we modified rigs in Texas to prepare them for operations in Mexico and in late 2009 and early 2010, we undertook modifications and customization of two existing rigs as fit-for-purpose re-entry drilling rigs to be deployed to operations in Saudi Arabia. Certain components for the first two rigs that will operate in the Middle East were constructed in that region.

The Corporation is subject to the risks associated with drilling markets in the regions where we operate. 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, particularly fuel, as well as uncertainties related to the existence and application of foreign laws. In addition, because Xtreme Coil conducts business in international markets, the Corporation is 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 an established Health, Safety and Environment Committee and has implemented and continuously updates 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 depends largely on the level of customer capital budgets dedicated to crude oil and natural gas exploration, development and production activities in Mexico, the United States and regions outside North America. The Corporation can give no assurance about current crude oil and natural gas drilling activity, whether demand will increase or decrease, or whether Xtreme Coil's drilling technology and contract drilling services will reflect the level of drilling demand.

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 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 contract drilling services largely depend on the level of exploration, development and production activity in the regions where Xtreme Coil is active or intends to pursue opportunities to contract drilling rigs. 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 and production 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 Xtreme Coil's customers to access equity capital or debt financing.

Xtreme Coil's business and operational activities are directly affected by fluctuations in the levels of E&P activity carried on by our customers. Drilling activity worldwide is driven by supply and demand for crude oil and natural gas. A global or regional economic downturn, such as occurred in late 2008, continued throughout 2009 and still affects some regions in 2010, reduces demand overall. Mexico and other regions, where the primary producer is a national entity with economic and social policy responsibilities, can experience somewhat lower volatility in drilling activity.

No assurance can be given that expected trends in E&P activity will continue or that demand for contract drilling services will reflect the level of activity in the E&P sector. Any prolonged substantial reduction in crude oil and natural gas prices can be expected to affect crude oil and natural gas production levels and, therefore, affect the demand for contract drilling services. A material decline in crude oil or natural gas prices or industry activity in Mexico or United States 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.

Capital Markets

The impact on capital markets resulting from investor uncertainty in the North American economy is currently constraining access to capital for Xtreme Coil's customers in the crude oil and natural gas exploration, development and production sector, and, subsequently, the contract drilling services sector.

As a result of weakened global economies, the Corporation, along with all other oilfield services companies, may experience restricted access to capital, credit facilities and equity, and may face increased borrowing costs. Although Xtreme Coil's business has not changed, financial institutions' lending capacities may have diminished and risk premiums may have increased.

For the year ended December 31, 2008, capital expenditures were primarily for continued construction of new drilling rigs. In 2008 third quarter, Xtreme Coil announced the temporary suspension of the drilling rig construction program.

Capital expenditures in early 2009, and until demand for Xtreme Coil's services increased, were limited to capital required to meet previous commitments for long-lead time rig components and to maintain or adapt drilling equipment to service committed contracts. As new contracts are negotiated, the Corporation expects to finance

future capital expenditures from funds generated from operating activities, from borrowings and possible future debt or equity financings. Xtreme Coil's ability to source new capital is dependent on, among other factors, the overall state of capital markets, investor appetite for investments in oilfield services companies and, in particular, the Corporation's securities. To the extent external sources of capital become limited or unavailable, or available on unacceptable terms, the Corporation's ability to make capital investments and to maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and, as a consequence, results of operations may be materially and adversely affected.

On May 29, 2009, Xtreme Coil executed the second amendment to the Credit Agreement. The amendment extended the existing credit facilities, continuing the \$15 million operating loan facility (Tranche A) and converting the \$60 million revolving credit facility into an extendible term loan (Tranche B). The terms of Tranche A remain essentially unchanged. As at December 31, 2009, Xtreme Coil had no outstanding balance on Tranche A and a total of \$39 million outstanding under Tranche B.

On November 20, 2009, the Corporation 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 entered into an agreement with a major diversified oilfield services company (the "Service Company"), in which the Service Company agreed to fund up to approximately \$5.99 million in customization costs for an XTC 200DTR^{PLUS} drilling rig and pay for certain significant mobilization and start-up costs of deploying the rig to the Middle East upon project award. Under the terms of the agreement, the repayment of the loan is USD\$2,000 per day for each day the rig is earning day rate, continuing until the earlier of the end such activity or the three-year term of the agreement. The loan is non-interest bearing and is secured by designated components on 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 \$4.6 million to Xtreme Coil.

Availability of Credit Facilities

On March 4, 2010, the Canadian financial institutions that provide the Corporation with its extendible term loan notified Xtreme Coil, among other matters, the stated maturity date of its Credit Agreement had been extended to June 30, 2011, and the lenders would permit the Corporation to transfer two of its rigs to a certain affiliate for operations in Saudi Arabia. The parties to the Credit Agreement expect to incorporate these consents in the fourth amendment to the Credit Agreement early in 2010 2Q.

From management's ongoing communication with Xtreme Coil's banking syndicate, we believe the institutions comprising the syndicate are in sound financial position. Xtreme Coil conducts ongoing communication to maintain its working relationship with the banking syndicate. These discussions lead management to believe Xtreme Coil's relationship with the banking syndicate will continue.

Xtreme Coil has made commitments to several vendors, primarily related to providing goods and services to modify existing drilling rigs for new contracts. As at December 31, 2009, the aggregate value of these commitments was \$1.7 million.

Access to Additional Financing

In the future, it may be necessary for Xtreme Coil to obtain additional credit 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 access 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 requires the issuance of the Common Shares or securities convertible into the Common Shares, control of Xtreme Coil may change and the shareholders of Xtreme Coil may suffer dilution to their investment. Xtreme Coil's activities may also be financed, partially or wholly, with bank indebtedness 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 operating activities 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 competitive 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.

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.

Alternatives to and Changing Demand for Petroleum Products

Xtreme Coil's management cannot predict the impact of changing demand for crude oil and natural gas 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. Any major changes in demand for crude oil and natural gas products 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 sources equipment and equipment parts from a variety of suppliers, most of whom are located in Canada and the United States. More recently, certain equipment has been sourced in the Middle East. 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 equipment. When significant assets were under construction and an aggressive rig and related equipment building program was underway, Xtreme Coil depended on suppliers to deliver equipment on schedule and to meet required quality standards. If any of Xtreme Coil's suppliers are unable to provide the necessary equipment or parts or otherwise fail to deliver products that meet the Corporation's quality standards or the quantities required, any resulting delays in the provision of services, or in the time required to source and enter agreements with 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

In the course of day-to-day business development activities, Xtreme Coil seeks to protect new technologies and intellectual property developed in-house by undertaking applications for the appropriate patents. During the past year, we have generated several applications resulting from design modifications and customization required to complete the XTC 200DTR^{PLUS} re-entry drilling rigs.

Certain proprietary technologies are integral to Xtreme Coil's equipment and require proving in actual field operations or have only been operating in the field for a limited period of time. We 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 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 on Xtreme Coil's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

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 due to weather or other conditions, damage to crude oil and natural gas geological 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 can be constrained by supply in periods of high industry activity. 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 contract oilfield drilling and related services primarily to field operations of companies located in Mexico and the United States and expects to commence operations in Saudi Arabia in 2010 second quarter. The oilfield services business in which Xtreme Coil operates is highly competitive in most regions. To be successful, the Corporation must provide services to meet specific needs of customers 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, both smaller and larger than itself. 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 for Xtreme Coil. Variations in E&P corporate expenditure budgets or budgets of other regional operators, such as national oil companies, 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 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.

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. Management assesses the credit worthiness of customers on an ongoing basis and considers the credit risks on these amounts as normal for the industry. To offset this credit risk, Xtreme Coil buys trade credit insurance, which covers 90 percent of eligible trade receivables for named buyers as defined in the trade credit insurance policy. 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 Xtreme Coil directors are also directors and officers of other 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 the holders of Common Shares.

Service Agreements and Contracts

The business operations of the Corporation depend on successful execution of drilling contracts, primarily written agreements that are cancellable at any time, most of which are subject to termination costs. 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 pricing. 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 in Mexico and the United States, expects to begin drilling operations in Saudi Arabia in 2010 second quarter and is pursuing additional opportunities in other international markets. As such, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, changes in energy policies, currency exchange rate 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 threats to security or terrorism. Our operations may also be adversely affected by laws and policies 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 or interruptions to address local access matters. In the event of a dispute arising in connection with Xtreme Coil's operations, 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 Xtreme Coil's preference or enforcing judgments of one jurisdiction in other jurisdictions. Accordingly, Xtreme Coil's contract drilling and related activities 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. In particular, international contracts in the contract drilling services industry are often denominated 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

The Corporation has exposure to potential environmental liability in connection with its business activities. Certain of Xtreme Coil's operations involve the handling, processing and storage of crude oil and chemical-based products. 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 trading price 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 matters, 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 12, 2010, the Corporation had 53,182,335 Common Shares issued and outstanding.

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

MARKET FOR SECURITIES

Trading Price and Volume

The 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.

2009 Trading Price and Volume

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
Jan	\$2.24	\$1.40	2,107,747
Feb	\$1.72	\$1.28	128,916
Mar	\$1.74	\$1.15	475,469
Apr	\$3.72	\$1.40	1,655,419
May	\$4.71	\$2.96	854,274
Jun	\$4.40	\$3.85	1,052,383
Jul	\$4.50	\$3.11	555,819
Aug	\$4.69	\$4.00	2,499,883
Sep	\$6.00	\$4.33	3,484,745
Oct	\$5.61	\$4.66	687,266
Nov	\$5.80	\$4.40	1,076,796
Dec	\$4.97	\$3.94	207,275

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.

<u>Name and Place of Residence</u>	<u>Position Held</u>	<u>Director and/or Officer Since</u>	<u>Principal Occupation During Past Five Years</u>
Thomas D. Wood Calgary, Alberta Canada	Founder, Executive Chairman of the Board	June 2005	Since 2009, Executive Chairman of Xtreme Coil Drilling Corp.; from 2007 to 2009, 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.
Rodney J. Uchytel Katy, Texas USA	President and Chief Executive Officer	May 2008	Since 2009, President and Chief Executive Officer of Xtreme Coil Drilling; in 2008, President of Xtreme Coil Drilling Corp.; from 2007 to 2008, Chief Operating Officer of Coil-X Drilling Systems Corporation, a joint venture between Xtreme Coil and STV; from 2003 to 2007 several senior management positions with Schlumberger Integrated Project Management, an international drilling and oilfield services company.

Name and Place of Residence	Position Held	Director and/or Officer Since	Principal Occupation During Past Five Years
David A. Tuer ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta Canada	Director	May 2006	From 2005 to 2006, a Director of Norquay prior to the Amalgamation. Director, Canadian Phoenix Resources Corp, since September 2008; 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 Resources Trust (merged with Sequoia Oil & Gas Trust); from 2001 to 2008, 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 company.
Kyle W. Swingle Steamboat Springs, Colorado USA	Founder, Director and Senior Technical and Project Advisor	June 2005	Previously from 2007 to 2009, Chief Operating Officer and from 2005 to 2007 Chief Operating Officer, Canadian Operations of Xtreme Coil Drilling Corp; from 2004 to 2005, Vice President, Grey Wolf Inc., a United States drilling services company..
Marc L. Staniloff ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta Canada	Director	August, 2006	Since 2009, a director of Star Uranium Corp., a public company involved in mining and oil and gas; since 2007, Trustee of Holloway Lodging REIT, a real estate investment trust; since 2005, Chairman and Chief Executive Officer, of Superior Lodging Corp., a hotel development, ownership and franchising company.
Peter J. Sharpe ⁽⁴⁾ Rijswijk, The Netherlands	Director	June 2008	Since 2009, Executive Vice President, Wells and from 2006 to 2009, Vice President Technical, Wells of Shell International Exploration and Production B.V., The Hague, The Netherlands; from 2004 to 2006, Regional Wells Manager of Shell Asia Pacific.
Daniel Z. 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.
Randolph M. 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.
Richard D. Havinga Houston, Texas, USA	Chief Operating Officer and Vice President, Engineering and Design	July 2005	Since 2009, Chief Operating Officer and Vice President, Engineering and Design and from 2005 to 2009, Vice President, Engineering and Design of Xtreme Coil Drilling Corp.
Elizabeth T. Wilkinson ⁽⁵⁾ Houston, Texas USA	Chief Financial Officer	March, 2009	Previously, from 2008 to 2009, Vice President, Investor Relations and Treasurer of Eagle Rock Energy Partners, L.P. a master limited partnership engaged in midstream, upstream, and minerals interest businesses; from 2004 to 2008, senior finance and accounting consulting positions for international and United States companies.
Brett Cole ⁽⁶⁾ Sugar Land, Texas USA	General Counsel	January 2010	Previously, several senior positions with Schlumberger, Ltd., an international drilling and oilfield services company, from 2006 to 2010 as Senior Counsel, Mergers & Acquisitions; from 2004 to 2006 as General Counsel, Oilfield Technologies.

Name and Place of Residence	Position Held	Director and/or Officer Since	Principal Occupation During Past Five Years
Martin Ramirez ⁽⁷⁾ Katy, Texas USA	Corporate Controller	March 2010	Previously, from 2007 to 2010, Director of Accounting with BMC Software, a multi-national provider of management software; from 2006 to 2007, a senior finance and accounting consultant for companies operating in Texas and Mexico; from 2005 to 2006, Senior Manager Oil and Gas of BKD, LLP/Mazars Group, a large United States accounting firm.

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
- (5) On March 31, 2009, Elizabeth T. Wilkinson was appointed Chief Financial Officer.
- (6) On January 25, 2010, Brett Cole was appointed General Counsel.
- (7) On March 1, 2010, Martin Ramirez was appointed Corporate Controller.

As at March 12, 2010, Xtreme Coil's directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 8,015,212 Common Shares, or approximately 15 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 scheduled 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; or (ii) that was subject to 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 that was issued after the director or executive officer ceased to act in that capacity of such issuer and which order resulted from an event that occurred while that director or executive officer was acting in that capacity of such issuer; or (iii) that while such director or executive officer was acting in that capacity or 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.

No current director or executive officer or securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or was within the last ten years prior to the date hereof, a director or executive officer of any issuer that while such director or executive officer was acting in that 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

Except for material contracts entered into in the ordinary course of business and not otherwise required to be disclosed and filed, 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.

On May 29, 2009, Xtreme Coil executed the second amendment to the Credit Agreement. The amendment extended the existing credit facilities, continuing the \$15 million operating loan facility (Tranche A) and converting the \$60 million revolving credit facility into an extendible term loan (Tranche B). The terms of Tranche A remain essentially unchanged. As at December 31, 2009, Xtreme Coil had no outstanding balance on Tranche A and a total of \$39 million outstanding under Tranche B.

On November 20, 2009, the Corporation 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 entered into an agreement with a major diversified oilfield services company (the "Service Company"), in which the Service Company agreed to fund up to approximately \$5.99 million in customization costs for an XTC 200DTR^{PLUS} drilling rig and pay for certain significant mobilization and start-up costs of deploying the rig to the Middle East upon project award. Under the terms of the agreement, the repayment of the loan is USD\$2,000 per day for each day the rig is earning day rate, continuing until the earlier of the end such activity or the three-year term of the agreement. The loan is non-interest bearing and is secured by designated components on 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 \$4.6 million to Xtreme Coil.

On March 4, 2010, the Canadian financial institutions that provide the Corporation with its extendible term loan notified Xtreme Coil, among other matters, the stated maturity date of its Credit Agreement had been extended to June 30, 2011, and the lenders would permit the Corporation to transfer two of its rigs to a certain affiliate for operations in Saudi Arabia. The parties to the Credit Agreement expect to incorporate these consents in the fourth amendment to the Credit Agreement in 2010 2Q.

From management's ongoing communication with Xtreme Coil's banking syndicate, we believe the institutions comprising the syndicate are in sound financial position. Xtreme Coil conducts ongoing communication to maintain its working relationship with the banking syndicate. These discussions, lead management to believe Xtreme Coil's relationship with the banking syndicate will continue.

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 Appendix "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>
David A. Tuer Calgary, Alberta	Yes	Yes	Currently Vice Chairman and Chief Executive Officer, Marble Point Energy Ltd. (a private oil and gas company) and a director of Canadian Phoenix Resources Corp. (a publicly traded junior oil and gas E&P company). 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 Resources Trust (and its predecessors); from 2005 to 2008, a Director of Norquay prior to the Amalgamation; from 2001-2008, 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; 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.
Marc L. Staniloff Calgary, Alberta	Yes	Yes	Currently, Chairman and Chief Executive Officer of Superior Lodging Corp. In 2010, appointed Director of Star Uranium Corporation, a resource company listed on the TSXV. 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.

Name and Place of Residence	Independent	Financially literate	Relevant Education and Experience
Daniel Z. 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	2009	\$135,000	Year-end audit
	2008	\$194,000	Year-end audit
Audit – Related fees	2009	\$87,000	Quarterly reviews
	2008	\$77,252	Quarterly reviews
Tax Fees	2009	\$0	Canadian, United States tax review, tax return
	2008	\$166,691	Canadian, United States tax review, tax return
All other fees	2009	\$114,800	Internal controls, IFRS and other
	2008	\$30,000	Internal controls and other

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no material legal proceedings to which the Corporation is a party, or to which any of its property is, or was subjected, during the most recently completed financial year.

Regulatory Actions

During the year ended December 31, 2009 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 NI 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, 2009 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 Xtreme Coil securities and securities authorized for issuance under our equity compensation plans, as applicable, will be contained in our information circular for our 2010 meeting of shareholders that involves the election of directors. The Corporation provides additional financial information in the consolidated financial statements and management's discussion and analysis for the year ended December 31, 2009, which are set forth in the 2009 Annual Report. Documents affecting the rights of securityholders, along with additional information relating to Xtreme Coil, are filed on SEDAR at www.sedar.com and available by request to the Corporate Secretary ir@xtremecoil.com or by telephone +1 403 262 9500.

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.

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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.

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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;

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- (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

- 12. Review filings with the Canadian provincial securities commissions and the SEC and other published documents containing the Corporation's financial statements.
- 13. 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

- 14. 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.
- 15. 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.