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Xtreme Coil Achieves Strong 2009 2Q and Updates Operations

Calgary, Alberta (TSX: "XDC") August 13, 2009 – Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Company") provides an operations update and announces financial and operating results for the three and six months ended June 30, 2009 ("2009 2Q"), with comparative data for same period in 2008 ("2008 2Q"), and for the year ended December 31, 2008.

2009 2Q Highlights

- revenue \$23.1 million up 119 percent from 2008 2Q
- EBITDA \$5.4 million up 652 percent from 2008 2Q
- EBITDA per share \$0.13, up 550 percent from 2008 2Q
- operating days reached 878, up 86 percent from 2008 2Q
- at June 30, 69 percent of rigs operating; 81 percent under term contracts

Operations Update

Xtreme Coil completed a very strong 2009 2Q in terms of our corporate history as well as in relation to other energy services sector participants. Our financial performance for the quarter was driven by our rig fleet's 878 operating days. At June 30th, 69 percent of our rig fleet was working under contract.



Xtreme Coil's Rig #3, an XTC 200 (left), and Rig #17, an XTC 400, drilling on the same well pad in the Chicontepec project in México.

Two of our XTC 400 Coil Over Top Drive[®] ("COTD[™]") drilling rigs commenced operations in México during 2009 2Q, expanding our fleet in that region to eight. As announced July 22, 2009, we executed long-term contracts for an additional two drilling rigs, both XTC 200DT^{Plus} models, and began the work to modify the rigs to customer specifications. Once prepared for mobilization they are being deployed to the Chicontepec project in México. One of the rigs is now moving to its first location. We expect both to begin drilling operations during 2009 3Q which would increase our total number of rigs operating in México to ten by September 30, 2009.

During 2009 2Q, three Xtreme Coil rigs continued drilling in the Rocky Mountain region of the United States under long-term contracts. While the United States drilling market remains severely constricted, it has been reported there is still demand for high performance rigs.

Xtreme Coil's balance sheet strength has provided flexibility to fund strategic elements of our plan for future growth. At the close of 2009 2Q, we 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 the same time, we undertook a non-brokered private placement with net proceeds of \$1.0 million on issuance of 258,500 common shares. In May, we announced execution of an amendment to Xtreme Coil's extendible credit facility with our existing lenders.

International projects and opportunities continue as a priority for Xtreme Coil's business development, sales and marketing, given the volume and frequency of inquiries we have received. During 2009 2Q, to prepare for a number of opportunities which would be ideal for our COTD™ drilling rigs, we began work on a fit-for-purpose re-entry drilling rig. The rig's design, based on a recently-issued Xtreme Coil patent, will have applications that meet the requirements of potential projects in the Middle East and North Africa markets.

We believe what differentiates Xtreme Coil from our competitors is our proprietary and patented applications and processes together with our in-house engineering capability. We continue to evaluate drilling markets and the availability of drilling rig equipment or components throughout North America. For instance, we are analyzing the potential to expand Xtreme Coil's rig fleet cost-effectively through application of our engineering designs which focus on upgrading late model top drive rigs to incorporate our innovative COTD™ capabilities.

Xtreme Coil recorded strong financial results for the first six months of 2009. We publish and use EBITDA (earnings before interest, taxes, depreciation and amortization, stock-based compensation, foreign exchange gains or losses and gains or losses on sale of equipment) and EBITDA per share as supplemental measures to monitor our corporate financial performance. Although EBITDA and EBITDA per share are not generally accepted accounting principles ("non-GAAP") financial measures, management believes they are useful supplemental measures of the financial performance of Xtreme Coil's principal business activities before considering how activities are financed or taxed, and before the impact of stock-based compensation, foreign exchange rate fluctuations or sales of equipment. A reconciliation of EBITDA to net income is presented in the non-GAAP measures section of Xtreme Coil's MD&A.

As we address opportunities to expand Xtreme Coil's business horizons, we will continue to concentrate on delivering excellence in day-to-day operational performance. Our management and operations staff is empowered to work closely with Xtreme Coil's valued current and potential customers to deliver efficient contract drilling services. We believe our performance sets an industry standard for the benefit of our customers and our shareholders.

Tom Wood
Executive Chairman

Rod Uchytíl
President and Chief Executive Officer

2009 Second Quarter Highlights

(\$ thousand, except where indicated)

	2009 Jun 30	2008 Jun 30	% Change
Revenue	23,052	10,527	119
EBITDA ¹	5,379	715	652
EBITDA per share ¹ (\$)	0.13	0.02	550
Net income (loss)	1,926	(1,541)	n/a
Net income (loss) per common share – basic (\$)	0.05	(0.04)	n/a
Weighted average common shares – basic (thousand)	40,859	38,516	6
Capital assets	254,070	211,948	20
Operating days ¹	878	473	86
Rig utilization ¹ (percentage)	60	52	15

¹ see Non-GAAP measures in MD&A

Management's Discussion and Analysis ("MD&A")
For the three and six months ended June 30, 2009
(\$ thousand, except where indicated)

Management for Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Company") based this MD&A on operating and financial results for the three and six months ended June 30, 2009 and provides comparative information for the three and six months ended June 30, 2008. Management recommends reading this discussion and analysis of Xtreme Coil's financial condition and results of operations in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2008. Management prepares the consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") and expresses all amounts in Canadian dollars ("CAD") unless otherwise stated. This MD&A is based on information available as at August 12, 2009.

Forward-Looking Statements

This MD&A, or documents incorporated herein, may include certain information, statements and assumptions (collectively, "forward-looking statements") regarding management's view of future events, expectations, plans, initiatives or prospects constituting forward-looking statements within the meaning of securities laws. Forward-looking statements may relate to Xtreme Coil's future outlook and anticipated events or results and may include statements related to current and anticipated future contracts; commodity pricing; rates of currency exchange; operating expenses; rig building, completion or deployment; capital expenditures and other 2009 guidance provided throughout this MD&A.

These statements are based on certain factors and assumptions regarding, among others: assessment of current, and projections for future, operations; ongoing and future business negotiations and opportunities to enter new, continue or extend existing contracts; the availability and cost of financing; foreign currency exchange rates; timing and magnitude of capital expenditures; expenses and other variables affecting rig operating and construction expenses; the ability of vendors to provide rig component equipment, services and supplies, including labour, in a cost-effective and timely manner; the issuance of applied-for patents; jurisdictional changes in taxation rates; and government regulations. Although Xtreme Coil considers the assumptions reasonable, based on information available to management as at August 12, 2009, the assumptions may ultimately prove 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, 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, labour and vendor-provided rig components.

Management's assumptions included the following: continued operation of the existing fleet of drilling equipment without additional significant capital expenditures; meeting the terms of the Company's credit facility; ongoing access to key supplies required to continue operating 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 activity; 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.

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

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flow from operating activities is based on assumptions about future events, including economic conditions and proposed courses of action, and on management's assessment of relevant information currently available. Readers are cautioned such financial outlook information contained in this MD&A is not appropriate for purposes other than for which it is disclosed herein. Readers should not place undue importance on forward-looking information 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,

Management's Discussion and Analysis ("MD&A")**For the three and six months ended June 30, 2009***(\$ thousand, except where indicated)*

whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise.

Description of the Business

Xtreme Coil is a drilling contractor designing, building and operating its proprietary Coil Over Top Drive[®] ("COTD[™]") drilling rigs which employ new patented and patent-pending coil designs and technologies. In addition to their coil drilling capabilities, these drilling rigs retain the ability to drill with conventional jointed drill pipe. Xtreme Coil has built drilling rigs in Canada under contracts with several third parties. Upon completion of the COTD[™] drilling rigs, Xtreme Coil operates the rigs under contract to oil and natural gas exploration and production ("E&P") companies and to international integrated drilling service providers. Xtreme Coil conducts drilling operations in the United States and México and routinely pursues opportunities to provide contract drilling services within and beyond these current regions of operation.

Xtreme Coil's head office is in Houston, Texas. Xtreme Coil also has a corporate office in Calgary, Alberta, Canada and an operations office near Poza Rica, in the state of Veracruz, México, and United States field offices in Casper, Wyoming.

At June 30, 2009 Xtreme Coil had three drilling rigs working under long-term drilling contracts with a major E&P company in the United States. During 2008, Xtreme Coil signed contracts and deployed six rigs for drilling operations in México. Early in 2009, Xtreme Coil entered into an additional long-term contract for two additional drilling rigs which were mobilized to commence operations in the same oil development project in México in 2009 2Q. As a result, the Company had a total of 11 rigs working under long-term contracts at June 30, 2009. We continue to prepare project proposals and conduct contract negotiations with current and potential new customers.

As at June 30, 2009, the United States Patent and Trademark Office has issued nine patents to Xtreme Coil. In late 2008, one of these patents also received issuance by the Eurasian patent office for regions under its jurisdiction throughout Europe and Asia. Xtreme Coil has more than 60 patent-related applications in the United States, Canada and other jurisdictions. Xtreme Coil's issued and applied-for patents collectively cover coiled tubing drilling and transportation technology including equipment and methods for coiled tubing drilling to deeper horizons of 3,000 meters (10,000 feet) or more.

Xtreme Coil has designed six models of COTD[™] drilling rigs with five designs completed and deployed to field operations. At June 30, 2009, Xtreme Coil had 16 COTD[™] rigs completed (2008 2Q – 12 rigs). Of the sixteen rigs in service at June 30, 2009:

- three rigs were operating under long-term contracts in the United States;
- three rigs were stacked in the United States;
- eight rigs were operating under long-term contracts in México;
- two rigs were being prepared for deployment from the United States to México to begin operations under long-term contracts.

In May 2009, Xtreme Coil accepted a letter of intent requesting mobilization of two XTC 200DT^{Plus} rigs to México to operate under long-term contract, with operations expected to commence in 2009 3Q. In July 2009, long-term contracts were executed for these two rigs and mobilization and rig modifications were in progress. Once operations commence for these two further drilling rigs, Xtreme Coil will have ten drilling rigs working in the Chicontepec development project in the state of Veracruz.

Xtreme Coil's original capital plan called for the construction of 18 drilling rigs in total. The Company made the decision to temporarily suspend drilling rig construction in 2008 3Q when economic uncertainty decreased demand in the United States drilling market. In addition to 16 completed drilling rigs, we have purchased, and retain in stock, a number of components for two additional drilling rigs.

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

Management's Discussion and Analysis ("MD&A")
For the three and six months ended June 30, 2009
(\$ thousand, except where indicated)

Selected Quarterly Financial Information *(unaudited)*

Three months ended

	30 Jun 2009	31 Mar 2009	31 Dec 2008	30 Sep 2008
Revenue	23,052	22,914	28,924	26,328
EBITDA ¹	5,379	6,187	6,539	5,899
EBITDA per share ¹ (\$)	0.13	0.15	0.16	0.15
Net income	1,926	2,379	2,508	1,278
Net income per share (\$)	0.05	0.06	0.06	0.03
Capital assets	254,070	271,366	238,345	231,392
Total assets	346,090	326,098	289,394	279,457
Operating days ²	878	803	949	947
Rig utilization <i>(percentage)</i>	60	56	68	83
Weighted average rigs in service	16.0	16.0	15.2	12.4
Completed rigs, end of quarter	16	16	16	15

	30 Jun 2008	31 Mar 2008	31 Dec 2007	30 Sep 2007
Revenue	10,527	12,335	12,416	9,574
EBITDA ¹	715	2,253	2,237	(342)
EBITDA per share ¹ (\$)	0.02	0.07	0.07	(0.01)
Net income (loss)	(1,541)	496	(204)	(1,338)
Net income (loss) per share (\$)	(0.04)	0.01	(0.01)	(0.04)
Capital assets	211,948	192,855	188,913	167,788
Total assets	249,043	219,049	213,464	190,191
Operating days ²	473	579	579	398
Rig utilization <i>(percentage)</i>	52	74	77	62
Weighted average rigs in service	10.0	9.0	8.1	7.0
Completed rigs, end of quarter	12	11	11	8

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

² see Non-GAAP measures

During the preceding eight quarters, Xtreme Coil's revenue, EBITDA, net income, assets and operating days have shown general improvement as we increased the size of our drilling rig fleet and secured long-term contracts for our rigs. In the near term, we expect the primary source of revenue will be from the eleven rigs operating under long-term contracts at the end of 2009 2Q and the additional two rigs which we expect to commence operations under long-term contracts in 2009 3Q.

As discussed, in 2009 3Q, once operations begin for the two XTC 200DT ^{Plus} rigs contracted in July 2009 to operate under long-term contract in México, Xtreme Coil will have a total of ten drilling rigs operating in the Chicontepec development project in the state of Veracruz.

For the three months ended June 30, 2009, our utilization rate of 60 percent was 16 percent higher (with 11 rigs working at the end of the period out of 16 total rigs) compared to the utilization rate of 52 percent for the comparative period (with 5 rigs working at the end of the period out of 12 total rigs).

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(\$ thousand, except where indicated)

Xtreme Coil reported increased operating days during the three and six month periods ending June 30, 2009 compared to 2008. This reflected primarily the increased number of rigs in the operating fleet and the additional number of rigs operating under long-term contracts.

Results of Operations

Revenue

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Total revenue	23,052	10,527	119	45,966	22,862	101
Operating days	878	473	86	1,681	1,052	60
Revenue per operating day	26.3	22.3	18	27.3	21.7	26
Rig utilization <i>(percentage)</i>	60	52	16	58	68	(15)

At June 30, 2009, Xtreme Coil's fleet consisted of 16 rigs (2008 – 12 rigs). As we ramped up construction, commissioning and deployment of new drilling rigs during 2008, operating days, revenues and revenue per operating day all increased. During the three and the months ended June 30, 2009, we had a greater proportion of our larger rigs operating than in the comparable 2008 periods. These larger rigs command higher dayrates which result in increased revenue per operating day.

Increased revenues were offset to some extent by the declining value of the United States dollar ("USD") relative to the CAD. All drilling contracts under which the Company operates its equipment are denominated primarily in USD. The USD decreased in value relative to the CAD for the three and six months ended June 30, 2009 compared to the comparable periods in 2008.

We anticipate the continued operation of ten rigs in México (eight of which were operational at June 30, 2009 and the additional two previously discussed expected to become operational during 2009 3Q) and three rigs in the United States under long-term contracts will contribute to revenue stability during the remainder of 2009. Management believes demand for drilling equipment in México during 2009 will remain strong as the country focuses on developing existing hydrocarbon reserves to replace historic declines in production rates.

In response to weaker drilling market conditions in the United States, management intends to continue efforts to market internationally what we believe are the advantages of our newer and efficient fleet of COTD™ drilling rigs. We continue aggressive efforts to market to existing customers and are increasing efforts to secure business from a broader range of potential customers. We are actively pursuing energy projects in the Middle East, North Africa, Eastern Europe and Asia Pacific regions. Management believes there is potential to secure contracts in these markets which could utilize several of Xtreme Coil's rigs and result in further enhanced utilization rates and revenue.

Operating Expenses

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Operating expenses	14,169	8,614	64	28,787	17,527	64
Operating expenses <i>(percentage of revenue)</i>	61	82	(25)	63	77	(19)
Operating expenses per operating day	16.1	18.2	(11)	17.1	16.7	3

The increase in operating expenses year-over-year primarily reflects the higher number of drilling rigs in service and the higher number of operating days. Operating expenses, as a percentage of revenue, continued to decline in both 2009 1Q and 2Q when compared to the prior year periods as fixed infrastructure and other non-rig specific operational expenses did not increase proportionally over these periods. Operating expenses per day showed slight improvement for 2009 2Q due to an operational problem with the XTC 400 series rigs which occurred in 2008 2Q resulting in additional downtime and costs required to analyze and correct the problem.

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(\$ thousand, except where indicated)

Gross Margin¹

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Gross margin	8,883	1,913	364	17,179	5,334	222
Gross margin <i>(percentage of revenue)</i>	39	18	112	37	23	60
Gross margin per operating day	10.1	4.1	150	10.2	5.0	102

¹ see Non-GAAP measures

The increase in total gross margin, gross margin per operating day and gross margin percentage for the three and six months ended June 30, 2009 improved primarily due to increased operating days and the resulting increase in revenues. Certain operational expenses are fixed in nature and any increase in operating days produces significant improvement in these metrics. In addition, increasing operating days allow Xtreme Coil to achieve certain efficiencies and economies of scale which improves gross margins and gross margin percentages.

Selling, General and Administration Expense ("SG&A")

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
SG&A	3,504	1,198	192	5,614	2,366	137
SG&A <i>(percentage of revenue)</i>	15	11	34	12	10	18

SG&A for the three and six months ended June 30, 2009 was higher primarily due to development of administrative infrastructure to support expanded international operations, including professional fees and the establishment of operations in México and an office in Houston, Texas. Additionally, certain expenses related to international tax planning were incurred during the first half of 2009.

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

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
EBITDA	5,379	715	652	11,565	2,968	290

¹ see Non-GAAP measures

For the three and six months ended June 30, 2009, the increase in EBITDA was a result of higher dayrates, increased operating days, as well as a decrease in direct operating expenses as a percentage of revenue.

Depreciation and Amortization

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Depreciation and amortization	2,871	1,529	88	5,720	3,251	76

Depreciation charges for our drilling equipment are based on the units-of-production method. Depreciation for drilling equipment comprises the majority of depreciation charges. This method generally increases depreciation charges in direct proportion to increased operating days. For the three and six months ended June 30, 2009, the increase in depreciation and amortization is proportionate to the increase in operating days and is primarily due to the increase in equipment engaged in active field operations.

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(\$ thousand, except where indicated)

Stock-based Compensation

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Stock-based compensation	352	152	132	593	300	98

For the three and six months ended June 30, 2009, stock-based compensation increased as our operations in the United States and México grew. The board of directors responded to this growth by granting additional options to purchase common shares to employees.

Foreign Exchange

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Foreign exchange (gain) loss	(1,689)	184	n/a	(775)	(78)	(894)

Foreign exchange ("FX") gain or loss results from translation of the portion of revolving debt denominated in USD as well as operational revenues and expenses denominated in USD and México pesos ("MXN"). FX gains and losses result directly from the fluctuation in values of the CAD relative to the USD and the MXN. Drilling operations in the United States and México are denominated primarily in USD.

Interest Expense

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Net interest expense	876	487	80	1,878	1,083	73

During 2008, Xtreme Coil drew on its credit facilities primarily to continue construction of drilling rigs which totalled 16 at December 31, 2008, as well as to provide cash for ongoing operating requirements and to establish operations in México.

Net interest expense for the three and six months ended June 30, 2009 increased compared to the three and six months ended June 30, 2008 due to increased debt related to the construction of rigs and expansion of operations. This increase was offset somewhat by decreased interest rates between the periods on the Company's variable rate debt facilities.

Income (Loss) Before Tax

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Income (loss) before tax	2,969	(2,119)	n/a	4,149	(1,587)	n/a

For the three and six months ended June 30, 2009, income before tax increased primarily as a result of Xtreme Coil's transition from a construction phase to an operational phase. The Company's initial construction program for 18 rigs was temporarily suspended after completion of the 16th rig in 2008. As the Company has secured long-term drilling contracts and increased revenues, operating days and income before tax have increased.

Income Taxes

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Income tax recovery (expense)	(1,043)	578	n/a	156	542	(71)

The increase in income tax expense in 2009 2Q is due to a gain on the sale of a drilling rig to a foreign subsidiary and a non-recurring income tax recovery recorded in 2008 2Q, related to the operating loss recorded in that period. The tax recovery in the six months ended June 30, 2009 is primarily due to a tax benefit recorded in 2009 1Q, which reflected new information supporting the applicability of a lower tax rate related to a previous sale of drilling equipment to a foreign subsidiary, offset by the tax effect of the gain described above.

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(\$ thousand, except where indicated)

Net Income (Loss)

	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Net income (loss)	1,926	(1,541)	n/a	4,305	(1,045)	n/a

The increase in net income in 2009 2Q, compared to 2008 2Q, primarily reflects the combination of increased operating income from expanded operations and the significant tax recovery recorded in 2009 1Q discussed previously.

Financial Condition, Liquidity and Capital Resources

(\$ million)

	2009 Jun 30	2008 Dec 31	% Change
Long-term liabilities	47.4	49.1	(3)
Less: working capital	55.2	6.2	790
Net debt ¹	(7.8)	42.9	n/a

¹ see Non-GAAP measures

The decrease in net debt and the corresponding increase in working capital at June 30, 2009 as compared to December 31, 2008 are primarily related to the two equity offerings which closed in 2009 2Q. Net proceeds from these offerings totalled \$44,446.

Capital Expenditures and Commitments

<i>(\$ million)</i>	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Capital expenditures	3.1	15.1	(79)	5.1	26.1	(80)
Commitments	0.5	10.7	(95)	3.7	23.5	(84)

Capital expenditures and commitments decreased in the three and six months ended June 30, 2009 compared to 2008. At June 30, 2008 six rigs were under construction. By year-end 2008, the Company had completed construction of 16 rigs and a further two rigs were placed on hold due to market conditions as discussed in "Description of the Business". Capital spending in the three and six months ended June 30, 2009 was primarily related to the purchase of replacement equipment and spare components for operating rigs as well as capital expenditures associated with the relocation of two rigs from the United States to México.

Eleven rigs were operating at June 30, 2009 and two were being mobilized in anticipation of commencing operations under long-term contracts in México which we expect to become revenue productive in 2009 3Q. Any additional work we are able to obtain for the remaining three rigs would further enhance future cash flow.

During the next quarter, we expect to incur some capital expenditures in advance of moving the two additional rigs from the United States to prepare for operations in México. Management expects to fund these expenditures and other commitments primarily from current cash flow from operating activities and existing cash on hand.

In May 2008, Xtreme Coil entered into an agreement for credit facilities with its existing lender and another lender on a syndicated basis. The credit facilities included a \$15,000 operating loan facility and a revolving extendible facility, initially set at \$70,000 which reduced as scheduled to \$60,000 at December 31, 2008. The credit facilities required Xtreme Coil to maintain certain financial covenants. At December 31, 2008 and at March 31, 2009, Xtreme Coil was not in compliance with two of these 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.

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(\$ thousand, except where indicated)

On May 29, 2009, Xtreme Coil executed the second amendment to the credit agreement. The amendment extends 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"). 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 becomes 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. Xtreme Coil was in compliance with all covenants at June 30, 2009.

At June 30, 2009 Xtreme Coil had drawn \$4,787 on the operating loan facility ("Tranche A") (at December 31, 2008, \$7,878) and \$59,474 on the extendible term loan, of which \$12,096 was classified as current ("Tranche B") (at December 31, 2008, \$58,930, of which \$9,825 was classified as current).

Xtreme Coil maintains ongoing communication with its banking syndicate and believes that its relationship with the syndicate is good and the syndicate is in sound financial condition.

This table summarizes Xtreme Coil's contractual obligations at June 30, 2009.

Payments due by period

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years
Capital lease obligations	66	66	–	–
Operating leases	1,789	402	925	462
Extendible term loan	59,474	12,096	47,378	–
Operating facility	4,787	4,787	–	–
Commitments	506	506	–	–
Total contractual obligations	66,622	17,857	48,303	462

The table above assumes that the Company's credit facility is not extended and that payments on the existing loans are made as presently required under existing agreements. Interest payments are not included in the table. Management believes cash on hand, cash flow from operating activities and amounts available under our credit facilities will be sufficient to fund payments due in less than one year.

Segmented Information

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

Revenue	Three months ended			Six months ended		
	2009 Jun 30	2008 Jun 30	% Change	2009 Jun 30	2008 Jun 30	% Change
Canada	–	36	–	–	2,477	–
United States	6,155	10,491	(41)	13,208	20,385	(35)
México	16,897	–	–	32,758	–	–
Total	23,052	10,527	119	45,966	22,862	101

Outstanding Common Shares

As at June 30, 2009, Xtreme Coil had outstanding options to purchase 3,636,000 common shares (2008 2Q – 2,029,000) at a weighted average exercise price of \$4.70 per share (2008 2Q – \$4.62).

Share capital on August 12, 2009 was \$252,713 and 52,842,669 common shares were issued and outstanding. Additionally, Xtreme Coil has outstanding purchase warrants entitling the holder to purchase a total of 1,000,000 common shares and options outstanding entitling the holders to purchase 3,645,000 common shares.

Management's Discussion and Analysis ("MD&A")
For the three and six months ended June 30, 2009
(\$ thousand, except where indicated)

Subsequent Events

In July 2009, Xtreme Coil executed long-term contracts for two XTC 200DT^{Plus} rigs to operate in México, with operations expected to commence in 2009 3Q. After contracts and mobilization are completed for these two rigs, Xtreme Coil will have a total of ten drilling rigs operating in the Chicontepec development project in the state of Veracruz.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

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

DC&P are intended to provide reasonable assurance the Company will disclose required information, in accordance with regulatory reporting requirements, within the time periods specified. As at June 30, 2009, the certifying officers have evaluated the design and effectiveness of the Company's DC&P. Based on their evaluation, they have concluded DC&P for Xtreme Coil are designed and operating effectively to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities in a timely manner.

ICFR are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with Canadian GAAP. As at June 30, 2009, the certifying officers have evaluated the design and effectiveness of the Company's ICFR. Based on their evaluation, they have concluded ICFR for Xtreme Coil are effective, but there are control deficiencies discussed below.

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

Management works to mitigate the risk resulting from these deficiencies by emphasizing the oversight and diligence of the certifying officers and the corporate controller. In addition, the Company has engaged the services of qualified taxation and other consultants, as necessary, to assist with certain complex and non-routine accounting and tax transactions that may arise. Further, Xtreme Coil has centralized the accounting function for its United States and Canadian operations in the Houston, Texas office.

No change to Xtreme Coil's internal control over financial reporting occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, Xtreme Coil's ICFR.

Non-GAAP Measures

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

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For the three and six months ended June 30, 2009
(\$ thousand, except where indicated)

Operating Days

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

Rig Utilization

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

Gross Margin

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

	Three months ended		Six months ended	
	2009 Jun 30	2008 Jun 30	2009 Jun 30	2008 Jun 30
Net income (loss)	1,926	(1,541)	4,305	(1,046)
Tax expense (recovery)	1,043	(578)	(156)	(542)
Interest expense	876	487	1,878	1,083
Loss on sale of equipment	-	482	-	-
Foreign exchange loss (gain)	(1,689)	184	(775)	(78)
Stock-based compensation	352	152	593	300
Amortization of intangibles	71	67	141	134
Depreciation of capital assets	2,800	1,462	5,579	3,117
Selling, general and administrative	3,504	1,198	5,614	2,366
Gross margin	8,883	1,913	17,179	5,334

EBITDA

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

	Three months ended		Six months ended	
	2009 Jun 30	2008 Jun 30	2009 Jun 30	2008 Jun 30
Net income (loss)	1,926	(1,541)	4,305	(1,046)
Tax expense (recovery)	1,043	(578)	(156)	(542)
Interest expense	876	487	1,878	1,083
Loss on sale of equipment	-	482	-	-
Foreign exchange loss (gain)	(1,689)	184	(775)	(78)
Stock-based compensation	352	152	593	300
Amortization of intangibles	71	67	141	134
Depreciation of capital assets	2,800	1,462	5,579	3,117
EBITDA	5,379	715	11,565	2,968
EBITDA per share (\$)	0.13	0.02	0.28	0.08

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Net Debt

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

Critical Accounting Estimates

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

Recoverable amounts for equipment and intangible assets

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

Depreciation

Accounting estimates related to depreciation and amortization have a significant impact on financial results. Depreciation incorporates estimates of useful lives and residual values of Xtreme Coil's capital assets. These estimates may change as we obtain more experience or as general market conditions change and we analyse the impact on Xtreme Coil's operations and capital assets.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets purchased. Goodwill is not subject to amortization, but is tested for impairment at least annually by applying a fair value based test. Any goodwill impairment will be recognized as an expense if the carrying amount of the goodwill exceeds its fair value. Xtreme Coil tested goodwill for impairment at December 31, 2008 and no impairment was determined. Further, no information has come to management's attention as of June 30, 2009 which would alter our assessment of the year-end testing. Goodwill is allocated to operations in México.

Stock-based compensation

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

Allowance for doubtful accounts receivable

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

Future tax recovery

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

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New accounting pronouncements

– International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in 2008 the requirement for publicly accountable enterprises to use International Financial Reporting Standards ("IFRS") in 2011. Xtreme Coil will begin reporting under IFRS in the first quarter of 2011 with comparative data for the prior year. IFRS uses a conceptual framework similar to Canadian GAAP, but significant differences in recognition, measurement and disclosure criteria exist between the two reporting standards. Education sessions have been, and will continue to be, provided for employees, senior management and the Audit Committee to increase knowledge and awareness of IFRS and its impacts. Management has also engaged an external expert advisor.

Xtreme Coil is also evaluating the potential impact of IFRS on financial covenants, business contracts and internal controls over financial reporting. Since a number of IFRS standards are changing, the Company will continue to assess the impact of the proposed standards on its consolidated financial statements and disclosure as additional information becomes available. The Company cannot make a reasonable determination of financial impacts as a result of the adoption of IFRS at this time. Based on initial assessments, management has identified property, plant and equipment and employee benefits as potential areas most likely to impact Xtreme Coil's accounting. There will be a significant amount of effort needed to comply with the IFRS requirements for initial adoption of IFRS. During the second half of 2009, we will complete a more detailed analysis and evaluation of the financial impact of the issues identified in the assessment and diagnostic phases as well as the impact on, and implementation of, financial reporting computer systems.

– Future accounting standards

In February 2008, the CICA approved Handbook section 3064 *Goodwill and Intangible Assets*, replacing previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to the initial recognition. These recommendations are effective for Xtreme Coil beginning January 1, 2009. Goodwill and intangible assets that were not assets as defined by GAAP were derecognized and charged to the Company's equity at that date. The adoption of these recommendations did not have a material impact on the Xtreme Coil's earnings or assets.

Critical Accounting Policies

Change in Accounting Policy – Foreign Exchange Reporting of Subsidiaries

Prior to January 1, 2009, Xtreme Coil accounted for its subsidiaries in the United States and México as integrated for the purposes of reporting gains and losses on foreign currency transactions. As more fully discussed in Note 3 of the Notes to the Unaudited Consolidated Financial Statements, we began accounting for these operations as self-sustaining as of January 1, 2009. As a result of this change in accounting policy, Xtreme Coil has recognized a total of \$15,795 in Accumulated Other Comprehensive Income comprised of \$10,693 comprehensive loss for the six months ended June 30, 2009 and \$26,488 comprehensive income in the periods prior to January 1, 2009.

Depreciation

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

Xtreme Coil depreciates drill pipe on a straight-line basis over eight years. We considered other alternatives including units-of-production. Because we expect to drill the majority of our wells using coiled tubing rather than conventional jointed pipe, we believe our drill pipe may last longer than drill pipe used by most conventional drilling companies. For Xtreme Coil's operations, the straight-line depreciation method is appropriate.

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Inventory

Inventory is composed of coiled tubing and parts and is recorded at the lower of cost and net realizable value determined on a first-in, first-out basis.

Revenue recognition

Xtreme Coil generally provides services under contracts with customers which include a fixed or determinable price based upon dayrates. We recognize revenue when services are rendered.

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 México 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.

Business Risks and Uncertainties

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

Foreign exchange – Foreign exchange volatility may create gains or losses which have an effect on Xtreme Coil's financial results. Xtreme Coil reports all activities in CAD. Most of our contracts are denominated in USD or in MXN and those currency rates of exchange to CAD fluctuate. Xtreme Coil is exposed to risk from fluctuations in foreign currency exchange rates in the United States and México where rigs are in operation. Xtreme Coil translates revenue and expenses denominated in USD and MXN into CAD during the reporting period. Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the current rate as at the balance sheet date and any realized foreign exchange gains or losses are included in income, except for unrealized gains and losses in self-sustaining foreign subsidiaries, which are recorded in Other Comprehensive Income.

Interest rates – Xtreme Coil is exposed to interest rate risk to the extent changes in market interest rates can impact operating and revolving credit facilities which have a floating interest rate. For 2009 2Q, an increase or decrease of one percent in the effective interest rate would have changed net income by approximately \$167, or \$667 on an annualized basis.

Credit risk – Xtreme Coil is exposed to credit risk in relation to its accounts receivable which includes balances owing from customers primarily operating in the oil and natural gas industry. Management assesses credit worthiness of customers on an ongoing basis, as well as their ability to remit amounts owed to Xtreme Coil in accordance with standard industry practices, and considers the credit risks on these amounts as normal for the industry. Xtreme Coil is exposed to significant concentration of credit risk because the majority of accounts receivable balances are with a small group of customers. Xtreme Coil accounts receivable is recorded net of a provision of \$492 (2008 Dec 31 – \$494).

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

Accounts receivable	2009 Jun 30	2008 Dec 31
Receivables less than 90 days	\$ 20,604	\$ 22,427
Receivables greater than 90 days (for which no provision is considered necessary)	7,181	4,864
	\$ 27,785	\$ 27,291

Liquidity risk – Liquidity risk relates to risks Xtreme Coil may encounter in meeting obligations associated with financial liabilities and commitments. Since inception, Xtreme Coil entered into credit and equity financing arrangements sufficient to fund working capital requirements and complete its rig construction program through the completion of 16 rigs and the elective temporary suspension of two additional rigs under construction. Xtreme Coil anticipates the current level of financial capacity derived from cash on hand, cash from operations and availability under its credit facilities will be sufficient to fund ongoing operations and working capital needs. While the Company has, on occasion, not met certain covenants, it has obtained the necessary waivers regarding non-compliance from the lending syndicate of Canadian financial institutions. In the near term, management expects capital expenditures will be minimal due to the temporary suspension of Xtreme Coil's new rig construction program. Management anticipates cash flow from operating activities will continue to be positive and anticipates collection of its accounts receivable will continue to occur in direct relation to revenue generation. We will continue to utilize available cash to reduce bank indebtedness.

Proprietary technologies – Integral to Xtreme Coil's equipment design and operation are certain technologies which require proving in actual field operations. 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 for which we have applied may not be issued.

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

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

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

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

The general economic uncertainty and recession continued in 2009 2Q with the rig count dropping dramatically in both the United States and Canada compared to one year ago. While Xtreme Coil was successful in raising equity during 2009 2Q, the Company recognizes that credit and equity markets continue to exhibit historically high levels of volatility and access to these markets remains constrained.

In mid 2009 2Q, Xtreme Coil accepted a new letter of intent requesting mobilization of its two XTC 200DT^{Plus} rigs to México to operate under long-term contracts. In early 2009 3Q, contracts were executed for these two rigs and operations are expected to commence in late 2009 3Q. Once these additional rigs are mobilized to México, Xtreme Coil will have ten drilling rigs based in the Chicontepec development project in the state of Veracruz.

Xtreme Coil will continue to market rigs in México where we believe drilling opportunities will remain robust. Additionally, we believe there are opportunities in the Middle East, North Africa, Eastern Europe and Asia Pacific. Generally, these regions have not seen the erosion in drilling demand that the United States and Canada have experienced.

Xtreme Coil currently has thirteen of its sixteen rigs under long-term contracts. We expect this will improve our operating days in 2009 3Q compared to 2009 2Q. We did not win any contracts on the spot drilling market in 2009 2Q. However, rig utilization and operating days increased somewhat in 2009 2Q compared to 2009 1Q, primarily due to the commencement of operations for two rigs under the new long-term contract in México outlined earlier. This, together with the anticipated commencement of operations of two more rigs in México during 2009 3Q, should contribute to increased cash flow from operating activities during the remainder of 2009.

Xtreme Coil believes the drilling market in México will remain strong during the remainder of 2009. It is possible additional tenders will be made available to companies who are potential customers for Xtreme Coil rigs. We continue to aggressively pursue these opportunities. The possibility exists for price erosion which may develop for new contracts, given the continued soft conditions in the United States and Canada. Management believes Xtreme Coil's differentiating technology will provide some remedial support as we work to respond to any possible pricing pressure.

During 2009, Xtreme Coil will continue to pursue strategic opportunities and contracts outside of North America in response to interest generated from discussions initiated during 2008 in several international drilling regions for projects to which our COTDTM drilling rigs are well-suited.

Additional Information

Information relating to Xtreme Coil is available on SEDAR at www.sedar.com. To obtain copies of published corporate information, contact investor relations at Xtreme Coil Drilling Corp., 1402, 500 Fourth Avenue SW, Calgary, AB T2P 2V6 (telephone +1 403.262 9500), visit Xtreme Coil's website www.xtremecoildrilling.com or e-mail ir@xtremecoil.com.

Xtreme Coil Drilling Corp.
Consolidated Balance Sheets
(\$ thousand, except share and per share data)
(unaudited)

	2009 Jun 30	2008 Dec 31
Assets		
Current assets		
Cash and cash equivalents	\$ 43,635	\$ 2,010
Accounts receivable (Notes 4 and 12)	27,785	27,291
Other receivables (Note 5)	6,354	7,966
Prepaid expenses	631	1,218
Inventory (Note 6)	2,703	1,045
	81,108	39,530
Future income tax	4,366	4,966
Equipment (Note 7)	254,070	238,345
Intangible assets (Note 8)	4,916	4,923
Goodwill (Notes 2, 9 and 15)	1,630	1,630
	\$ 346,090	\$ 289,394
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness (Note 10)	4,787	7,878
Accounts payable and accrued liabilities (Note 12)	8,821	14,215
Income tax payable	110	1,354
Current portion of obligations under capital leases (Note 12)	66	75
Current portion of long-term debt (Note 10)	12,096	9,825
	25,880	33,347
Long-term liabilities		
Obligations under capital leases (Note 12)	-	35
Long-term debt (Note 10)	47,378	49,105
	47,378	49,140
Shareholders' equity		
Share capital (Note 11)	252,670	207,462
Warrants (Note 11b)	1,630	1,630
Contributed surplus (Note 11c)	4,070	3,453
Deficit	(1,333)	(5,638)
Accumulated other comprehensive income	15,795	-
	272,832	206,907
	\$ 346,090	\$ 289,394
Commitments and contingencies (Note 14)		

See accompanying notes to the consolidated financial statements

Xtreme Coil Drilling Corp.
Consolidated Statement of
Income (Loss) and Retained Deficit

(\$ thousand except share and per share data)
(unaudited)

	Three Months ended 2009 Jun 30	Three Months ended 2008 Jun 30	Six Months ended 2009 Jun 30	Six Months ended 2008 Jun 30
Revenue	\$ 23,052	\$ 10,527	\$ 45,966	\$ 22,862
Expenses				
Operating expenses	14,169	8,614	28,787	17,527
Selling, general and administrative	3,504	1,198	5,614	2,366
Depreciation of capital assets	2,800	1,461	5,579	3,117
Amortization of intangibles	71	67	141	134
Stock-based compensation	352	152	593	300
Foreign exchange loss (gain)	(1,689)	184	(775)	(78)
Loss on repurchase of equipment	-	482	-	-
Interest on long-term debt and capital leases	876	488	1,878	1,083
Income (loss) before tax	2,969	(2,119)	4,149	(1,587)
Tax recovery (expense)				
Current	(124)	-	1,096	-
Future	(919)	578	(940)	542
Net income	1,926	(1,541)	4,305	(1,045)
Deficit, beginning of period	(3,259)	(7,883)	(5,638)	(8,379)
Deficit, end of period	\$ (1,333)	\$ (9,424)	\$ (1,333)	\$ (9,424)
Net income per common share				
- basic	\$ 0.05	\$ (0.04)	\$ 0.11	\$ (0.03)
- diluted	\$ 0.05	\$ (0.04)	\$ 0.11	\$ (0.03)
Weighted average number of common shares (Note 11e)				
- basic	40,859,175	38,515,512	40,793,039	36,493,944
- diluted	41,129,357	38,515,512	40,795,715	36,493,944

See accompanying notes to the consolidated financial statements

Xtreme Coil Drilling Corp.
Consolidated Statements of
Comprehensive Income (Loss)

(\$ thousand)
(unaudited)

	Three Months ended 2009 Jun 30	Three Months ended 2008 Jun 30	Six Months ended 2009 Jun 30	Six Months ended 2008 Jun 30
Net income (loss)	\$ 1,926	\$ (1,541)	\$ 4,305	\$ (1,045)
Other comprehensive income (loss)				
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	(19,206)	-	(10,693)	-
Comprehensive income (loss)	\$ (17,280)	\$ (1,541)	\$ (6,388)	\$ (1,045)

See accompanying notes to the consolidated financial statements

Xtreme Coil Drilling Corp.
Consolidated Statements of
Accumulated Other Comprehensive Income

(\$ thousand)
(unaudited)

	Three Months ended 2009 Jun 30	Three Months ended 2008 Jun 30	Six Months ended 2009 Jun 30	Six Months ended 2008 Jun 30
Accumulated other comprehensive income				
– beginning of period	\$ –	\$ –	\$ –	\$ –
Impact of translating financial statements of self-sustaining foreign operations beginning of period (Note 3)	35,001	-	26,488	-
Unrealized gain (loss) on translation of foreign operations during the current period (Note 3)	(19,206)	-	(10,693)	-
Accumulated other comprehensive income				
– end of period	\$ 15,795	\$ –	\$ 15,795	\$ –

See accompanying notes to the consolidated financial statements

Xtreme Coil Drilling Corp.
Consolidated Statement of Cash Flows
(*\$ thousand*)
(*unaudited*)

	Three Months ended 2009 Jun 30	Three Months ended 2008 Jun 30	Six Months ended 2009 Jun 30	Six Months ended 2008 Jun 30
Cash provided by (used in) operating activities				
Net income (loss) for the period	\$ 1,926	\$ (1,541)	\$ 4,305	\$ (1,045)
Items not affecting cash:				
Depreciation and amortization	2,871	1,527	5,720	3,251
Stock-based compensation	352	152	593	300
Loss on repurchase of equipment	–	482	–	–
Amortization of financing cost	110	53	276	53
Unrealized foreign exchange loss (gain)	(1,621)	65	(1,101)	–
Future income tax expense	919	(578)	940	(542)
	4,557	160	10,733	2,017
Changes in non-cash operating working capital (<i>Note 16</i>)	1,987	1,684	(521)	(71)
	6,544	1,844	10,212	1,946
Financing activities				
Proceeds from shares issued	47,203	34,990	47,203	35,030
Share issue costs	(2,757)	(848)	(2,757)	(848)
Proceeds from other long-term liabilities (<i>Note 9</i>)	–	–	–	4,080
Proceeds from (reduction of) long-term debt	1,269	(10,580)	1,192	(1,580)
Proceeds from (repayment of) operating facility	(6,055)	–	(3,091)	–
Capital lease payments	(22)	(20)	(44)	(40)
	39,638	23,542	42,503	36,642
Investing activities				
Proceeds from sale of equipment	–	–	266	–
Proceeds from sale of equipment to joint venture (<i>Note 9</i>)	–	–	–	5,873
Purchase of equipment	(3,150)	(15,139)	(5,153)	(26,103)
Increase in intangibles	(132)	(37)	(134)	(56)
Changes in non-cash working capital relating to capital items (<i>Note 16</i>)	(2,109)	(1,221)	(6,069)	(9,069)
	(5,391)	(16,397)	(11,090)	(29,355)
Increase (decrease) in cash and cash equivalents during the period	40,791	8,989	41,625	9,233
Cash and cash equivalents, beginning of period	2,844	627	2,010	383
Cash and cash equivalents, end of period	\$ 43,635	\$ 9,616	\$ 43,635	\$ 9,616
Supplemental disclosure of cash flow information				
Interest received	–	\$ 8	–	\$ 17
Interest paid	765	443	1,602	1,047
Income tax paid	–	–	–	–
Non-cash transactions				
Issuance of shares for joint venture purchase; repayment of joint venture loan	–	8,000	–	–

See accompanying notes to the consolidated financial statements

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
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1. Nature of operations

Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Company") was incorporated May 24, 2005 under the Business Corporations Act of Alberta. Xtreme Coil develops and operates coiled tubing drilling rigs using new patented and patent-pending coil rig designs and technology. On completion of the Coil Over Top Drive[®] ("COTDTM") drilling rigs, Xtreme Coil contracts drilling services to oil and natural gas exploration and development companies and international integrated drilling services companies in the United States and México. Xtreme Coil's head office is in Houston, Texas. Xtreme Coil also has a corporate office in Calgary, Alberta, Canada and a field office in Casper, Wyoming. In México, Xtreme Coil's operations are managed from a business office and warehouse facilities near Poza Rica in the state of Veracruz.

2. Significant accounting policies

Basis of Presentation

These unaudited interim consolidated financial statements ("interim statements") are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include only the accounts of Xtreme Coil and its subsidiaries. All subsidiaries are wholly-owned and fully consolidated. Xtreme Coil includes joint venture accounts on a proportionate basis and has eliminated all inter-entity transactions. Except as described below, these interim statements for the three and six months ended June 30, 2009 follow the same accounting policies and methods as the most recent annual consolidated financial statements ("annual statements"). These interim statements include all adjustments necessary to present fairly the results for the interim period. The disclosures included below are incremental to those included with the annual statements. These interim statements should be read in conjunction with the most recent annual statements and notes included in Xtreme Coil's annual report for the year ended December 31, 2008.

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

3. Changes in accounting policies and future accounting standard changes

Following is an overview of accounting standard changes requiring adoption by Xtreme Coil in future years.

– International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in 2008 that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") by 2011. The Company will begin preparing its financial statements and related disclosures in accordance with IFRS as of the first quarter of 2011 with comparative data for the prior year. Although the IFRS conceptual framework is similar to Canadian GAAP, Xtreme Coil will be required to address any significant differences in recognition, measurement and disclosures. Education sessions have been, and will continue to be, provided for employees, senior management and the audit committee of the board to increase knowledge and awareness of IFRS and its impact. An external expert has been engaged to advise the Company with regard to the adoption of IFRS.

The Company is also evaluating the potential impact of IFRS on financial covenants, business contracts and internal controls over financial reporting. It is likely that a number of IFRS standards will undergo changes prior to the 2011 adoption date. Therefore, the Company will continue to assess the impact of the proposed standards on its financial statements and disclosure as additional information becomes available. Estimates of the financial impact as a result of IFRS adoption cannot be reasonably determined at this time. Based on initial assessments it appears that Standards related to Property, Plant and Equipment will have the greatest potential impact to the Company's accounting. A significant amount of effort will be necessary to comply with IFRS requirements for initial adoption. Prior to the end of 2009 the Company will complete a more detailed analysis and evaluation of the financial impact of the issues identified related to adoption of the new Standards. Additionally, the impact on the Company's financial reporting computer systems will be assessed.

Xtreme Coil Drilling Corp.
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– *Change in Accounting Policies – Foreign Exchange Reporting of Subsidiaries*

Prior to January 1, 2009, Xtreme Coil accounted for its subsidiaries in the United States and México as integrated for the purposes of reporting gains and losses on foreign currency transactions. The day-to-day drilling operations of the subsidiaries were financed primarily through borrowings from the Company prior to January 1, 2009. By June 30, 2009, the México subsidiary was operating eight rigs generating significant revenues. Two additional rigs in México are expected to begin generating revenue in 2009 3Q. The subsidiary is now generating income sufficient to fund its own operations, thereby eliminating the need for further financing from the Company. Similarly, the Company's United States subsidiary has been operating three rigs throughout the six months ended June 30, 2009 and did not require borrowings from the Company to finance its day-to-day operations.

As a result, Xtreme Coil concluded that the United States and México subsidiaries should be accounted for as self-sustaining operations effective January 1, 2009. The subsidiaries' foreign currency translations have been prospectively changed to the current rate method. Assets and liabilities denominated in United States dollars ("USD") are translated to Canadian dollars ("CAD") at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rate in effect during the period in which the transactions occurred. All subsidiary gains and losses (both monetary and non-monetary) arising from translation adjustments are now recognized as a separate component of other comprehensive income.

As a result of this change of accounting policy, Xtreme Coil has recognized a total of \$15,795 in Accumulated Other Comprehensive Income, comprised of \$10,693 comprehensive loss for the six months ended June 30, 2009 and \$26,488 comprehensive income in the periods prior to January 1, 2009.

4. Accounts receivable

	2009 Jun 30	2008 Dec 31
	\$ 27,785	\$ 27,291

Accounts receivable include primarily trade receivables which have been recorded net of a provision for doubtful accounts of \$492 at June 30, 2009 (at December 31, 2008 – \$494).

5. Other receivables

	2009 Jun 30	2008 Dec 31
	\$ 6,354	\$ 7,966

Other receivables reflect net Value Added Tax amounts receivable from the Government of México, primarily related to the importation of Xtreme Coil's rigs into México during 2008. The Company expects to recover these amounts in full during 2009.

6. Inventory

	2009 Jun 30	2008 Dec 31
Coiled tubing and parts inventory	\$ 2,703	\$ 1,045

Coiled tubing and parts inventories are carried at the lower of cost or net realizable value and valued on a specific item basis. Cost includes the purchase price plus costs related to transportation and handling.

7. Equipment

	2009 Jun 30			2008 Dec 31
	Cost	Accumulated depreciation	Net book value	Net book value
Office and shop equipment	\$ 4,688	\$ (1,123)	\$ 3,565	\$ 3,426
Leasehold improvements	169	(19)	150	31
Vehicles	1,868	(532)	1,336	1,277
Trucking equipment	3,348	(1,191)	2,157	2,603
Drilling equipment	251,987	(12,112)	239,875	226,209
Drilling equipment – construction in progress	6,987	–	6,987	4,799
	\$ 269,047	\$ (14,977)	\$ 254,070	\$ 238,345

Xtreme Coil depreciates drilling rigs beginning on the date they commence operations. The rigs are depreciated using the units-of-production method based on an estimated useful life of 5,000 days. Other assets are depreciated on a straight-line basis with estimated useful lives ranging from three to ten years. Although Xtreme Coil has a number of components in inventory for two additional drilling rigs, the Company's rig build program is currently suspended due to economic uncertainty and decreased demand in North American drilling markets.

Xtreme Coil Drilling Corp.
Notes to the unaudited Consolidated Financial Statements
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8. Intangible assets

	2009 Jun 30			2008 Dec 31
	Cost	Accumulated amortization	Net book value	Net book value
Patents	\$ 5,715	\$ 799	\$ 4,916	\$ 4,923

As at June 30, 2009, the United States Patent and Trademark office has issued nine patents to Xtreme Coil.

9. Purchase of joint venture interest

On May 1, 2008, Xtreme Coil acquired the remaining 49 percent interest in Coil-X Drilling Systems Corporation ("Coil-X") from our former joint venture partner. The acquisition included an outstanding loan to Coil-X in the amount of \$4,080. The transaction was financed by: (i) the issuance of 1,092,896 common shares of Xtreme Coil at a price of \$7.32 for gross proceeds of \$8,000; (ii) the issuance of 1,000,000 purchase warrants and 700,000 performance warrants. The warrants entitle the holder (subject to a vesting period in the case of the performance warrants) to purchase one common share of Xtreme Coil for \$9.87 for a period of 24 months beginning on May 1, 2008.

Allocation of the consideration paid for this acquisition, made under the purchase method, is show in this table.

Current assets	\$	47
Equipment		5,873
Future income tax		113
Inter-company balances		(2,113)
Goodwill		1,630
Total purchase price	\$	5,550
Financed as follows:		
New equity issued	\$	3,920
Warrants		1,630
	\$	5,550

Gross proceeds from the equity issuance of \$8,000 were allocated to the purchase consideration above of \$3,920 and repayment of the loan to Coil-X amounting to \$4,080.

10. Credit facilities

Xtreme Coil has credit facilities with a syndicate of Canadian financial institutions which require Xtreme Coil to maintain certain financial covenants. At June 30, 2009 the Company was in compliance with all of the financial covenants associated with its credit facilities. At March 31, 2009, the Company was not in compliance with certain of the covenants related to interest coverage and funded debt to EBITDA ratios. The syndicate issued a waiver which is effective through March 31, 2010 in regards to these non-compliance events. Funds drawn under the credit facilities may be denominated in either CAD or USD, with the limits of the facilities being the CAD equivalent.

Xtreme Coil has an extendible credit facility pursuant to a May 2008 credit agreement. On May 29, 2009, the Company executed the second amendment to that credit agreement. The amendment extends the Company's existing credit facilities, continuing its \$15,000 operating loan facility ("Tranche A") and converting its \$60,000 revolving credit facility into an extendible term loan ("Tranche B").

a. Operating facility

Xtreme Coil's \$15,000 operating loan facility bears interest at the bank's prime rate plus 1.50 percent and is secured by accounts receivable. The effective average interest rate for 2009 2Q was approximately 3.8 percent (2008 2Q – 5.9 percent). As of June 30, 2009 the Company had drawn \$4,787 on this facility (December 31, 2008 – \$7,878)

b. Long-term debt, net of financing costs

The amended Tranche B facility requires minimum principal payments based on a five-year amortization of the outstanding balance of \$59,683 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 becomes due and payable unless the facility is extended. Under the terms of the amending agreement, Xtreme Coil may request extension of the facility at any time more than 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.

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The extendible term loan bears interest at the bank's prime rate plus up to 2.25 percent in 2009 2Q (2008 2Q bank's prime rate plus 1.50 percent). The weighted average interest rate during 2009 2Q was approximately 4.2 percent (2008 2Q – 6.2 percent). The facility is secured by a general security agreement over all present and future assets, excluding Xtreme Coil's intellectual property.

At June 30, 2009, approximately \$16,000 CAD equivalent (2008 Dec 31 – approximately \$20,700 CAD) of borrowing under the extendible term loan was denominated in USD.

At June 30, 2009, \$12,096 (2008 Dec 31 – \$9,825) of the outstanding balance on this facility is included in the current portion of long-term debt, representing the portion that would become due within one year. Interest expense on the extendible term loan during 2009 2Q was \$618 (2008 2Q – \$344) (*Note 12 – Financial instruments*).

	2009 Jun 30	2008 Dec 31
Extendible term loan	\$ 59,474	\$ 59,206
Less: current portion of long-term debt	(12,096)	(9,825)
	\$ 47,378	\$ 49,381
Less: unamortized financing cost related to long-term debt	–	(276)
	\$ 47,378	\$ 49,105

11. Share capital

Authorized and issued shares

Xtreme Coil is authorized to issue an unlimited number of common voting and preferred shares without nominal or par value. Xtreme Coil has no preferred shares outstanding. This table provides a summary of issued and outstanding common shares.

	2009 Jun 30		2008 Dec 31	
	Number	Amount	Number	Amount
Balance, beginning of period	40,726,169	\$ 207,462	33,965,407	\$ 162,814
Bought deal equity offering, net of issue costs of \$2,757	11,845,000	43,438	–	–
Private placement	258,500	1,008	4,780,000	34,100
Private placement for purchase of joint venture	–	–	1,092,896	8,000
Performance warrants exercised	–	–	666,666	6
Employee options exercised	–	–	281,200	664
Employee options purchased	–	–	(60,000)	(389)
Transferred from contributed surplus	–	–	–	2,030
Future income tax effect of common shares issue cost at expected tax rates	–	762	–	237
	12,103,500	45,208	6,760,762	44,648
Balance, end of period	52,829,669	\$ 252,670	40,726,169	\$ 207,462

a. Equity offerings

On June 29, 2009 Xtreme Coil completed a bought deal equity offering of 11,845,000 common shares at a price of \$3.90 per share for gross proceeds of \$46,195. Issue costs of \$2,757 resulted in net proceeds of \$43,438.

On June 29, 2009 Xtreme Coil completed a non-brokered private placement offering of 258,500 common shares at a price of \$3.90 per share for gross proceeds of \$1,008.

On May 1, 2008, Xtreme Coil completed a private placement of 4,780,000 common shares at a price of \$7.32 per share for gross proceeds of \$34,990. Issue costs of \$890 resulted in net proceeds of \$34,100.

On May 1, 2008, Xtreme Coil issued 1,092,896 common shares at a price of \$7.32 per share for gross value of \$8,000. These shares were issued to settle the loan with the joint venture partner and to acquire the joint venture partner's 49 percent interest in Coil-X. (*Note 9*).

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b. Expiry of warrants

The 700,000 performance warrants issued on May 1, 2008 expired on May 1, 2009, since the holder did not meet the vesting criteria. The warrant holder continues to hold 1,000,000 purchase warrants exercisable at \$9.87 per warrant at any time until May 1, 2010.

c. Contributed surplus

	2009 Jun 30	2008 Dec 31
Contributed surplus – beginning of period	\$ 3,453	\$ 3,066
Stock-based compensation	617	1,319
Warrants cancelled on purchase of joint venture	–	1,098
Contributed surplus transferred on exercise of options and warrants	–	(2,030)
Contributed surplus – end of period	\$ 4,070	\$ 3,453

d. Stock options outstanding

The Company's Stock Option Plan (the "Plan") for directors, officers, employees and consultants permits granting of options to purchase up to a maximum of 10 percent of issued and outstanding common shares. The Board of Directors sets the number of options and the exercise price thereof at the time of the option grant provided that the exercise price is not less than that permitted under the current rules of any stock exchange upon which Xtreme Coil's common shares are listed. Options granted under the Plan may be exercisable for a period not exceeding ten years, generally with one-third of the options vesting each year for the first three years, commencing on the one-year anniversary of the grant.

During 2009 2Q, the board of directors approved granting of options to purchase 928,000 common shares (2008 2Q – 18,000). As of June 30, 2009, a total of 3,636,000 options (2008 Dec 31 – 2,969,000) were outstanding. During the three months ended June 30, 2009, the Company recorded stock-based compensation expense of \$352 (2008 2Q – \$152) and credited this amount to contributed surplus.

Xtreme Coil uses the fair value method of accounting for stock-based compensation. The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants assuming: (i) no dividends are paid on common shares; (ii) a risk-free interest rate ranging from 1.8 to 4.6 percent; (iii) an average life of 3.0 years and; (iv) an expected volatility of up to 72 percent. The amounts computed according to the Black-Scholes pricing model may not be indicative of the actual values realized upon the exercise of these options by the holders. The amount of the fair value is charged to earnings over the period of vesting of the options with a corresponding credit to contributed surplus.

This table summarizes the status of Xtreme Coil's Stock Option Plan at June 30, 2009.

	2009 Jun 30		2008 Dec 31	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	2,969,000	\$ 5.79	2,012,200	\$ 4.60
Granted	928,000	2.12	1,392,000	7.22
Exercised	–	–	(281,200)	3.00
Forfeited	(261,000)	7.89	(154,000)	8.40
Outstanding, end of period	3,636,000	4.70	2,969,000	5.79
Options exercisable, end of period	1,490,663	\$ 4.23	1,472,662	4.24

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$1.50 - \$ 4.50	2,212,000	2.8 yrs	\$ 2.64	1,200,000	\$ 3.06
\$4.51 - \$ 6.99	453,000	4.3 yrs	5.28	–	–
\$7.00 - \$10.50	904,000	3.7 yrs	8.94	244,331	8.56
\$10.51 - \$13.52	67,000	2.3 yrs	11.65	46,332	11.72
	3,636,000	3.2 yrs	\$ 4.70	1,490,663	\$ 4.23

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e. Diluted earnings per share

Common shares potentially issuable in exchange for options, purchase warrants and performance warrants are not included in the computation of diluted earnings per share when to do so would be anti-dilutive. Diluted weighted average common shares outstanding is calculated using the treasury stock method, which assumes any proceeds obtained on the exercise of options is used to purchase common shares at the average price for the year.

	2009 Jun 30	2008 Dec 31
Weighted average common shares outstanding – basic	40,793,039	38,569,546
Effect of options and warrants	2,676	–
Weighted average common shares outstanding – diluted	40,795,715	38,569,546

12. Financial instruments

– *Fair value*

The carrying values of cash and cash equivalents, accounts receivable and other receivables, bank indebtedness, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Long-term debt is initially recorded at fair value net of transaction costs directly attributable to the issuance of the debt.

– *Foreign exchange risk*

Xtreme Coil is exposed to risk from fluctuations in foreign currency exchange rates as it operates rigs in the United States and México and, therefore, translates revenue and expenses that are denominated in USD and México pesos (“MXN”) into CAD during the period.

– *Interest rate risk*

Xtreme Coil is exposed to interest rate risk to the extent the changes in market interest rates can impact operating and long-term debt facilities which have a floating interest rate. At June 30, 2009, an increase or decrease of one percent in the effective interest rate would have impacted net income by approximately \$167 for the quarter, or \$667 on an annualized basis.

– *Credit risk*

Xtreme Coil is exposed to credit risk in relation to its accounts receivable which includes balances due from customers primarily operating in the 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. Xtreme Coil is exposed to significant concentration of credit risk because the majority of accounts receivable balances are with a small group of customers (*Note 15*).

Xtreme Coil accounts receivable is recorded net of a provision of \$492 (2008 2Q – \$29).

The following table summarizes the aging of the Company’s accounts receivable which management does not consider impaired.

Accounts receivable	2009 Jun 30	2008 Dec 31
Receivables less than 90 days	\$ 20,604	\$ 22,427
Receivables greater than 90 days (for which no provision is considered necessary)	7,181	4,864
	\$ 27,785	\$ 27,291

– *Liquidity risk*

Liquidity risk relates to risks Xtreme Coil may encounter in meeting obligations associated with financial liabilities and commitments. Xtreme Coil anticipates the current level of financial capacity will be sufficient to fund commitments and to fund working capital. While the Company has, on occasion, not met certain covenants, it has thus far obtained any necessary waivers in regard to non-compliance from the lending syndicate of Canadian financial institutions. Future capital expenditures are being minimized as a result of the temporary suspension of Xtreme Coil’s rig expansion program. The Company anticipates generating positive cash flow from operating activities.

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– *Contractual obligations*

The table below illustrates various contractual obligations which Xtreme Coil expects to repay, including any interest payments required other than interest amounts related to the variable rate credit facilities.

Payments due by period				
Contractual obligations	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years
Accounts payable and accrued liabilities	8,821	8,821	–	–
Income tax payable	110	110	–	–
Capital lease obligations	66	66	–	–
Operating leases	1,789	402	925	462
Extendible term loan	59,474	12,096	47,378	–
Operating facility	4,787	4,787	–	–
Commitments	506	506	–	–
Total contractual obligations	75,553	26,788	48,303	462

13. Capital management

Xtreme Coil defines capital as the aggregate of shareholders' equity and long-term debt less cash and cash equivalents. Xtreme Coil's capital management framework is designed to maintain a flexible capital structure that allows for optimization of the cost of capital at acceptable risk while balancing the interests of both equity and debt holders.

Xtreme Coil targets a net debt to equity ratio of less than 0.5 : 1.0, although there is a degree of variability associated with the timing of cash flows. If appropriate opportunities are identified, Xtreme Coil is prepared to increase this ratio as high as 1 : 1. This policy remains unchanged from previous periods.

	2009 Jun 30	2008 Dec 31
Shareholders' equity	\$ 272,832	\$ 206,907
Long-term debt	59,474	58,930
Bank indebtedness, net of cash and cash equivalents	(38,848)	5,868
Capital under management	\$ 293,458	\$ 271,705
Net debt as a percentage of capital under management	7	24
Net debt to equity ratio	0.1 : 1	0.3 : 1

Net debt is defined as total debt less cash.

Xtreme Coil is subject to externally imposed minimum debt to tangible net worth requirements relating to existing covenants under its credit facility. As of June 30, 2009, Xtreme Coil was in compliance with debt to tangible net worth requirements.

14. Commitments and contingencies

a. Commitments

i. Operating leases

Xtreme Coil is committed to operating leases for office and field facilities and the table below details approximate annual base rental payments. Lease terms also require Xtreme Coil to remit a proportionate share of realty taxes, operating costs and utilities.

2009	\$ 402
2010	563
2011	362
2012	292
2013	170
	\$ 1,789

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ii. Purchase commitments

Xtreme Coil has commitments to suppliers with respect to contracts for the construction of Coil Over Top Drive® drilling rigs of \$506 (2008 4Q – \$3,374) which are not reflected in these consolidated financial statements.

b. Contingencies

The Company is party to various disputes and lawsuits in the normal course of its business. The Company believes that the ultimate liability arising from these matters will have no material impact on its consolidated financial statements.

15. Segmented information

During 2009 2Q, Xtreme Coil provided contract drilling services in the United States and México (2008 2Q – United States and Canada). The table below segments information by geographic area.

Revenue	Three months ended 2009 Jun 30	Three months ended 2008 Jun 30	Six months ended 2009 Jun 30	Six months ended 2008 Jun 30
Canada	\$ –	\$ 36	\$ –	\$ 2,477
United States	6,155	10,491	13,208	20,385
México	16,897	–	32,758	–
Total	\$ 23,052	\$ 10,527	\$ 45,966	\$ 22,862

At June 30, 2009, Xtreme Coil had equipment located in the United States, México and Canada. The table below segments information by geographic area.

Equipment	2009 Jun 30	2008 Dec 31
Canada	\$ 421	\$ 1,163
United States	110,460	142,266
México	143,189	94,916
Total	\$ 254,070	\$ 238,345

In 2009 2Q, two customers accounted for revenue of \$22,900 (99 percent). Of this total, Customer A accounted for \$17,000 (73 percent); Customer B accounted for \$5,900 (26 percent) (2008 2Q – two customers accounted for revenue of \$7,800 or 74 percent. Of this total, Customer A accounted for \$4,900 (46 percent); Customer B accounted for \$2,900 (28 percent)).

Goodwill has been allocated primarily to operations in México.

16. Changes in non-cash working capital

	2009 Jun 30	2008 Jun 30
Accounts receivable	\$ 1,118	\$ (2,317)
Prepaid expenses	587	369
Inventory	(1,658)	6
Accounts payable and accrued liabilities	(5,393)	(7,198)
Income taxes payable	(1,244)	–
Total	\$ (6,590)	\$ (9,140)

Changes in non-cash working capital are categorized below.

	2009 Jun 30	2008 Jun 30
Operating activities	(521)	(71)
Investing activities	(6,069)	(9,069)
Total	\$ (6,590)	\$ (9,140)



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Daniel Z. Remenda^{2,3,5}
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Calgary, AB

*Peter J. Sharpe*⁵
Executive Vice President, Wells
Shell International Exploration
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Marc L. Staniloff^{2,3,4}
Chairman
and Chief Executive Officer
Superior Lodging Corp.
Calgary, AB

Kyle W. Swingle
Senior Technical and Project Advisor
Xtreme Coil Drilling Corp.
Long Tree, CO, USA

David A. Tuer^{2,3,4}
Vice Chairman
and Chief Executive Officer
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Calgary, AB

*Thomas D. Wood*¹
Executive Chairman
Xtreme Coil Drilling Corp.
Calgary, AB

Officers

Thomas D. Wood
Executive Chairman

Rodney J. Uchytel
President and
Chief Executive Officer

Elizabeth T. Wilkinson
Chief Financial Officer

Richard D. Havinga
Chief Operating Officer

Brian K. Wigington
Corporate Controller

L. Ann Beattie
Corporate Secretary
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Joint Venture

Coil-X Drilling Systems Limited
Calgary, Alberta

¹ Chairman of the Board

² Audit Committee

³ Compensation Committee

⁴ Governance and Nominating Ctte

⁵ Health, Safety, Environment Ctte

Shareholders and other interested individuals can view Xtreme Coil public documents at www.xtremecoildrilling.com where we have posted historical information, shareholder reports, press releases, the current corporate presentation, as well as trading and contact information.