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For Immediate Release

Xtreme Begins Drilling with First Coil Over Top Drive™ Rig and Announces 2006 First Half Results

Calgary, Alberta (TSX-V: "XDC") August 11, 2006 – Xtreme Coil Drilling Corp. ("Xtreme" or the "company") provides an operations update and announces financial results for the three and six months ended June 30, 2006.

First Coil Rig Delivered and Drilling

On July 28, 2006, Xtreme Coil Drilling Corp. is pleased to announce our first Coil Over Top Drive™ drilling rig (patent-pending) began active drilling in an Alberta field location for a major Canadian exploration and production (E&P) company. Xtreme's XTC 200ST, features a new design for coil drilling rigs, making it one of the fastest moving and quickest to rig up among any of its competitors. The XTC 200ST is presently one of the deepest capacity coil drilling rigs operating in North America. Early in its operation, this coil drilling rig has exceeded expectations with respect to transitioning time from top drive to coil drilling mode and has achieved intermittent penetration rates in excess of 300 meters per hour on its second well.

We are currently rigging up Xtreme's second XTC 200ST coil drilling rig. We expect to deliver it to the field in approximately three weeks and we have seven more rigs in various stages of construction. Xtreme has experienced some unexpected delays in the start-up of field operations due to late delivery of third party components. We have taken various steps which we anticipate will mitigate future delays in rig deliveries to the field.

TSX Application and TSX-V Tier Reclassification

During the 2006 second quarter, Xtreme has been preparing an application for graduating our common shares listing and trading to the Toronto Stock Exchange. We are in the final stages of that process. On August 10, 2006, the TSX Venture Exchange issued a bulletin announcing that Xtreme Coil Drilling Corp. had met the requirements for a company tier reclassification moving Xtreme to a Tier 1 classification.

Xtreme Appoints New Director

Xtreme is pleased to announce the appointment of Marc Staniloff to the board of directors, effective immediately. Mr. Staniloff is the chairman and chief executive officer of Superior Lodging Corp. and has been instrumental in the development of 110 Super 8® Motels and Wingate Inns in Canada since 1993. Now responsible for his company's strategic direction, including franchisor and franchisee relations and the development of joint venture projects, Mr. Staniloff has expertise in structuring deals and strategic alliances. Previously, he was the president of Royop Hospitality and a director of Royop Properties Corporation, a TSE

listed company. At the University of Calgary, Mr. Staniloff earned a B.Comm. and, currently, is a member of the World Presidents' Organization.

New Website

We expect to launch Xtreme's new website at www.xtremecoildrilling.com by mid August. Our new internet site will provide comprehensive information about Xtreme's operations and activities for the use of both our customers and our investors.

Patent Applications Pending

Currently, Xtreme has fifteen patent applications pending. These patent applications cover Xtreme's coiled tubing technology including equipment and methods for coiled tubing drilling to depths of 3,000 meters and greater.

2006 First Half Highlights

- completed first full year of corporate activity;
- vigorous build-out program for Xtreme's Coil Over Top Drive™ drilling rigs;
- eight Coil Over Top Drive™ drilling rigs in various stages of construction;
- negotiated construction contracts for Xtreme's drilling rig program;
- finalised multiple long-term drilling contracts and continued negotiations with E&P companies in both the United States and Canada for Xtreme's new coil drilling rigs;
- raised \$55.3 million through a first quarter private placement;
- continued development of proprietary intellectual property.

Management's Discussion and Analysis ("MD&A") For the three and six months ended June 30, 2006

Management for Xtreme Coil Drilling Corp. ("Xtreme", the "company", "we", "our") has based this MD&A on the operating and financial results for the three and six months ended June 30, 2006 and management's outlook is based on information available as at August 10, 2006. Xtreme was incorporated May 24, 2005. For this MD&A, where available, Xtreme has provided comparative data for the three months ended March 31, 2006.

Management recommends reading the MD&A in conjunction with Xtreme's audited annual consolidated financial statements and related notes for the year ended December 31, 2005, the MD&A for the year ended December 31, 2005, and the unaudited consolidated financial statements for the three and six months ended June 30, 2006. Management has prepared the consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") and all amounts are expressed in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Except for historical financial information contained herein, matters discussed in this report may be considered forward-looking statements. Such statements include declarations regarding management's intent, belief and current expectations. Prospective investors are cautioned that any such forward-looking statements are not a guarantee of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) the information is of a preliminary nature and may be subject to further adjustment; (ii) risks related to the uncertainty inherent in the oil and natural gas industry; (iii) the impact of commodity price fluctuations; (iv) start-up risks; (v) general operating risks; (vi) dependence on third parties; (vii) changes in government regulation; (viii) the effect of competition; (ix) dependence on senior management; and, (x) fluctuations in currency exchange rates and interest rates.

Description of the Business

Xtreme is a drilling contractor using Coil Over Top Drive™ drilling rigs which employ new patent-pending coil designs and technologies. In addition to their coil capabilities, these drilling rigs are also designed to drill with conventional jointed drill pipe. Xtreme is currently building drilling rigs under contract with several third parties. Upon completion of the coiled tubing drilling rigs, we contract out Xtreme's drilling rigs to oil and gas exploration and production ("E&P") companies. Xtreme's activities currently focus on both the United States and western Canada, with the majority our operations planned for the United States.

On July 28, 2006 Xtreme's first rig commenced drilling in Alberta. Although this was later than we anticipated, both Xtreme and our customer are satisfied with the first drilling rig's performance. Numerous factors contributed to the delay in delivery of our first drilling rig, including unforeseeable delays from several suppliers. We are diligently rigging up Xtreme's second drilling rig, having already taken delivery of most of its key components. We anticipate deploying the second drilling rig in Canada during the 2006 third quarter. Management expects rig-up and commissioning time for future drilling rigs to decrease in comparison to the time required for our first rig. We are working to achieve more timely delivery of components, having placed orders for several components among multiple suppliers, thereby enabling simultaneous production of certain required components.

Xtreme's corporate and head office is in Calgary, Alberta. We expect to locate and lease a Canadian field office in Alberta. Xtreme's United States field office is in Casper, Wyoming and we have plans to establish a sales office in Denver, Colorado.

Currently, Xtreme has fifteen patent applications pending in the United States. Similar applications are being filed in other jurisdictions world wide. These patent applications cover Xtreme's coiled tubing technology including equipment and methods for coiled tubing drilling to depths of 3,000 meters and greater.

Effective May 1, 2006 Xtreme amalgamated with Norquay Capital Ltd. ("Norquay"), a capital pool company. The transaction constituted Norquay's "qualifying transaction" for the purposes of Policy 2.4 of the TSX Venture Exchange. The amalgamated entity will continue operating as Xtreme Coil Drilling Corp. On May 4, 2006, Xtreme's common shares commenced trading on the TSX Venture Exchange under the symbol "XDC". On August 10, 2006, the TSX Venture Exchange issued a bulletin announcing that Xtreme had met all the necessary requirements and was approved for reclassification to a Tier 1 issuer. Xtreme is in the process of applying to graduate its shares to trading on the Toronto Stock Exchange.

Equipment Under Construction

Xtreme has designed five different models of coiled tubing drilling rigs. For 2006, we have ten drilling rigs on order and, currently, we have at least seven drilling rigs at various stages of construction. Xtreme has taken delivery of the first three Coil Over Top-Drive™ trailer units, the primary component of the multiple sections that comprise a coil drilling rig. The next stages are to complete the assembly with the remaining components and, finally, to fully rig-up and commission each drilling rig.

Xtreme's first three drilling rigs are designed to work in western Canada. Management expects to deploy the remaining drilling rigs completed during 2006 in the United States. Thereafter, we anticipate that 70 - 80 percent of Xtreme's drilling rig fleet will work in the United States.

Selected Quarterly Financial Information

<i>(unaudited)</i>	Three months ended				
	30 Jun 2006	31 Mar 2006	31 Dec 2005	30 Sep 2005	30 Jun 2005
(\$ thousand, except per share amounts)					
Revenue	-	-	-	-	-
Net loss	334	272	3,078	209	76
Net loss per share	0.01	0.01	0.22	0.02	0.22
Funds used in operations	262	266	142	156	43
Capital assets	39,804	24,545	13,528	5,988	-

Total assets	98,766	94,052	41,605	39,854	11,453
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Results of Operations

Xtreme commenced active field drilling operations in July 2006. We are marketing Xtreme drilling rigs in Canada and the United States and seeking long-term contracts for the majority of our fleet. Xtreme has signed long-term contracts for six rigs with three major E&P companies in the United States and one contract for one rig in Canada. Contract negotiations with other E&P companies are ongoing. In anticipation of becoming fully operational, the total number of employees in all areas of Xtreme increased to 31 at June 30, 2006 from 12 at March 31, 2006.

Selling, General and Administration Expense (“SG&A”)

SG&A for the three months ended June 30, 2006 was \$804,000 (1Q 2006 - \$599,000). Included during the second quarter were numerous costs associated with becoming a public company. As Xtreme’s full complement of drilling equipment nears completion, we are incurring additional costs to establish the required infrastructure in preparation for, and support of, active operations in both Canada and the United States.

Depreciation and Amortization

Depreciation and amortization for the three months ended June 30, 2006 increased to \$82,000 (1Q 2006 - \$65,000). This increase was the result of additional support equipment and vehicles. Depreciation of field equipment will commence when the equipment is completed and available for use. Xtreme’s policy for depreciating drilling rigs will be the unit-of-production method over 5,000 days with a 20 percent residual value.

Stock-Based Compensation

Stock-based compensation for the three months ended June 30, 2006 increased to \$84,000 (1Q 2006 - \$50,000). This increase is the result of granting of options to purchase common shares during the second quarter as well as an increase in the volatility assumption associated with Xtreme becoming a public company.

Foreign Exchange

Xtreme realized a foreign exchange loss for the three months ended June 30, 2006 of \$34,000 (1Q 2006 - \$3,000). These losses result from a translation on Xtreme’s United States dollar cash and accounts payable balances. In particular, most of the second quarter’s loss resulted from Xtreme holding United States dollar cash on hand while the exchange rate dropped significantly. Xtreme is exposed to risk from fluctuations in foreign currency exchange rates because certain ongoing expenses and capital costs are denominated in United States funds although there is no source that generates United States funds. As Xtreme’s operations grow and mature, we expect to generate the majority of cash flow in United States funds, while the majority of cash requirements for the continuation of drilling rig construction could require settlement in Canadian funds.

Interest Expense

For the first time Xtreme had interest expense, incurring \$45,000 during the three months ended June 30, 2006. The major component of this cost was the standby fee of 0.35 percent on Xtreme’s new \$50 million revolving credit facility. Also included in this category are interest charges for field vehicles under capital leases.

Interest Income

Interest income for the three months ended June 30, 2006 was \$621,000 (1Q 2006 - \$337,000). This resulted from investment of temporary surplus cash available while we are completing the build-out of Xtreme’s initial fleet of coiled tubing drilling rigs. Interest income increased as a result of funds received from the private placement that closed late in the 2006 first quarter, together with interest rate increases in the Canadian market.

Income Taxes

During the 2006 second quarter the Government of Canada enacted a number of tax reductions for corporations, specifically reducing general corporate tax rates from 21 percent to 19 percent phased in between 2008 and 2010, the elimination of the federal Large Corporation Tax effective January 1, 2006 and the elimination of the corporate surtax effective January 1, 2008. In addition, the Government of Alberta also substantively enacted reduced corporate tax rates from 11.5 percent to 10 percent effective April 1, 2006.

During the three months ended June 30, 2006, Xtreme recorded a future income tax recovery of \$94,000 (1Q 2006 - \$109,000). The decreased recovery provision is primarily the result of the decreases in federal and provincial tax rates.

Net Loss

The net loss for the three months ended June 30, 2006 was \$334,000 (1Q 2006 - \$272,000). This increased loss was the net result of increased expenses in all categories, mitigated substantially by increased interest income.

Financial Condition, Liquidity and Capital Resources

At June 30, 2006 Xtreme had cash balances of \$53.5 million (1Q 2006 - \$64.8 million), a decrease of \$11.3 million. Similarly, working capital decreased to \$50.4 million (1Q 2006 - \$64.1 million). The primary reason for these decreases was continued funding of drilling rigs under construction.

On May 1, 2006, Xtreme amalgamated with Norquay Capital Ltd. ("Norquay"). Excluding costs associated with the amalgamation, Xtreme received \$1.8 million in cash through the amalgamation. The cash was received in exchange for 555,556 common shares issued from the new entity created by the amalgamation of Xtreme and Norquay.

Xtreme maintains a \$50.0 million revolving debt facility with a Canadian financial institution for construction of equipment, as well as a \$5.0 million operating line which accounts receivable will support. Presently, Xtreme has drawn no amounts on these facilities and, other than capital leases for field vehicles, Xtreme has no other long-term debt.

Xtreme invested \$15.3 million in fixed assets during the three months ended June 30, 2006 (1Q 2006 - \$11.1 million), primarily for continued construction of drilling rigs. The total cost of the first ten drilling rigs in our program is estimated at approximately \$85 million. At June 30, 2006, Xtreme had incurred costs of approximately \$35 million on deposits and progress payments, leaving costs to complete of approximately \$50 million.

Management expects that, on a cash basis, funds on hand, together with existing debt facilities, will be sufficient to complete the first ten drilling rigs as well as related ongoing operating requirements. Looking beyond 2006, as Xtreme continues to build more drilling rigs and our asset base grows, we will determine the appropriate vehicle and timing for expanding our financial capacity to support our future capital requirements.

Outstanding Common Shares

As at June 30, 2006, Xtreme had 26,768,903 common shares outstanding. During the second quarter Xtreme issued 555,556 common shares to former shareholders of Norquay, 666,667 common shares on the exercise of Series 1 Performance Warrants, and 5,000 common shares on the exercise of agent options.

As at June 30, 2006 there were outstanding 1,968,000 options to purchase common shares at a weighted average exercise price of \$3.62 per share. In addition, 18,333 agent options were outstanding at an exercise price of \$4.50 per share. All of the agent options were exercisable when issued. Xtreme also has outstanding 333,333 Series 1 and 1,000,000 Series 2 Performance Warrants. Each performance warrant entitles the holder to purchase one common share at a strike price of \$0.01 per common share. During the three months ended June 30, 2006 all of the Series 1 Performance Warrants became fully exercisable. None of the Series 2 Performance Warrants are currently exercisable. The aggregate effect

of the stock options, agent options and performance warrants would increase Xtreme's shares outstanding to 30,088,569.

Share capital on August 10, 2006 was \$96.8 million (26,769,269 shares).

Critical Accounting Estimates

Xtreme's significant accounting policies are described in note 2 to the annual consolidated financial statements as at December 31, 2005.

Business Risks and Uncertainties

Xtreme is affected by a number of risks and uncertainties. Although Xtreme can take actions to mitigate some of these risks, many risks are beyond our control. The risks discussed in this section should not be construed as an exhaustive list of all possible risks.

As a start-up business with significant assets under construction and an aggressive building program, Xtreme is dependent upon suppliers to deliver equipment on schedule and to meet necessary quality standards. Failure of our suppliers in any aspect of our building program would severely impact Xtreme's ability to expand operations as planned and to retain customers.

In addition, demand for Xtreme's coiled tubing drilling services is largely dependent on the level of oil and gas industry activity in North America. Industry activity is influenced by numerous factors over which we have no control, including changes in crude oil and natural gas prices, government legislation, regulatory and economic conditions, global political and military events, international trade barriers or disputes, and fuel and environmental conservation.

Outlook

Xtreme's unique patent-pending coiled tubing drilling rigs will drill to a depth of up to 3,000 meters with coil and up to 4,100 meters with jointed drill pipe. Xtreme's drilling rigs will allow E&P companies to take advantage of cost savings as a result of the faster drilling times associated with coiled tubing. Xtreme's new designs will expand the depth range of current coiled tubing drilling technology. This will open up a larger segment of the drilling market to coiled tubing drilling in the United States and Canada.

Even after decreasing its 2006 forecast by 7.5 percent, the Petroleum Services Association of Canada expects drilling of 23,410 wells in Canada this year. Currently, the primary effect is reduced E&P capital budgets for shallow natural gas drilling due to lower natural gas prices. Because Xtreme's drilling rigs are designed for deeper wells, we do not expect current reductions in shallow natural gas activity will impact Xtreme's operations. According to an analysis by a major international oilfield service company, the number of drilling rigs working in the United States has been increasing significantly throughout 2006. We believe Xtreme is well-positioned to capitalize on drilling activity levels in both Canada and the United States. Management expects Xtreme's unique patent-pending coiled tubing drilling rigs will be well received by E&P companies with active drilling programs.

Additional Information

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

**Xtreme Coil Drilling Corp.
 Consolidated Balance Sheets**

	Jun 30 2006	Dec 31 2005
	<i>(unaudited)</i>	
Assets		
Current assets		
Cash and cash equivalents	\$ 53,472,693	\$ 25,224,576
Accounts receivable	1,011,378	181,934
Prepaid expenses	277,978	76,593
Inventory	255,333	-
	55,017,382	25,483,103
Future income tax	1,970,153	641,359
Equipment (note 3)	39,804,337	13,527,576
Intangibles	1,974,270	1,952,708
	\$ 98,766,142	\$ 41,604,746
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,546,386	\$ 1,720,840
Current portion of obligations under capital leases	50,852	-
	4,597,238	1,720,840
Long term liabilities		
Obligations under capital leases	109,289	-
	4,706,527	1,720,840
Shareholders' Equity		
Share capital (note 5)	96,829,149	40,183,580
Contributed surplus	1,199,708	3,063,832
Deficit	(3,969,242)	(3,363,506)
	94,059,615	39,883,906
	\$ 98,766,142	\$ 41,604,746

Commitments (note 7)

See accompanying notes to the consolidated financial statements

On behalf of the board of directors,

Signed "Thomas Wood"
 Director

Signed "Randolph Charron"
 Director

Xtreme Coil Drilling Corp. Consolidated Statement of Operations and Deficit

	Three months ended June 30 2006 <i>(unaudited)</i>	For the period from May 24 to June 30 2005 <i>(unaudited)</i>	Six months ended June 30 2006 <i>(unaudited)</i>	For the period from May 24 to June 30 2005 <i>(unaudited)</i>
Sales	\$ -	\$ -	\$ -	\$ -
Expenses				
Selling, general and administrative	803,621	71,866	1,403,127	71,866
Depreciation of capital assets	56,155	-	95,829	-
Amortization of intangibles	25,840	-	51,106	-
Stock-based compensation	84,025	-	134,016	-
Foreign exchange loss	33,808	18,069	37,004	18,069
Interest expense	45,132	-	45,132	-
Interest (income)	(620,930)	(13,986)	(957,463)	(13,986)
Loss before income tax	(427,651)	(75,949)	(808,751)	(75,949)
Future income tax recovery	93,577	26,000	203,015	26,000
Net loss for the period	(334,074)	(49,949)	(605,736)	(49,949)
Deficit, beginning of period	(3,635,168)	-	(3,363,506)	-
Deficit, end of period	\$ (3,969,242)	\$ (49,949)	(3,969,242)	\$ (49,949)
Net loss per common share - basic and diluted	(0.01)	(0.14)	(0.03)	(0.14)
Weighted average number of common shares - basic	25,925,160	345,496	23,072,048	345,496

See accompanying notes to the consolidated financial statements

Xtreme Coil Drilling Corp. Consolidated Statement of Cash Flows

	Three Months Ended Jun 30, 2006 <i>(unaudited)</i>	For the period from May 24 to Jun 30, 2005 <i>(unaudited)</i>	Six Months Ended Jun 30, 2006 <i>(unaudited)</i>	For the period from May 24 to Jun 30, 2005 <i>(unaudited)</i>
Cash provided by (used in) operating activities				
Net loss for the period	(\$334,074)	(\$75,949)	(\$605,736)	(\$75,949)
Items not affecting cash:				
Depreciation and amortization	81,995	-	146,935	-
Stock-based compensation	84,025	-	134,016	-
Future income tax	(93,577)	26,000	(203,015)	26,000
	(261,631)	(49,949)	(527,800)	(49,949)
Changes in non-cash operating working capital	136,149	(15,057)	(857,855)	(15,057)
	(125,482)	(65,006)	1,385,655)	(65,006)
Financing activities				
Proceeds from shares issued upon amalgamation	1,802,412		1,802,412	
Proceeds from shares issued	29,167	9,267,018	55,329,167	9,267,018
Financing costs	(213,709)	-	(3,609,930)	-
Decrease in deferred costs	181,300	-	-	-
Capital lease payments	(10,222)	-	(10,222)	-
	1,788,948	9,267,018	53,511,427	9,267,018
Investing activities				
Acquisition of equipment	(15,145,372)	-	(26,202,227)	-
Increase in intangibles	(7,587)	-	(72,668)	-
Changes in non-cash working capital relating to capital items	2,149,578	-	2,397,240	-
	(13,003,381)	-	(23,877,655)	-
Increase in cash and cash equivalents during the period	(11,339,915)	9,202,012	28,248,117	9,202,012
Cash and cash equivalents - beginning of period	64,812,608	-	25,224,576	-
Cash and cash equivalents - end of period	\$ 53,472,693	\$ 9,202,012	\$ 53,472,693	\$ 9,202,012
Supplemental Disclosure of Cash Flow Information				
Interest received	\$ 588,000	\$ 9,105	\$ 850,872	\$ 9,105
Interest paid	1,198	-	1,198	-
Income tax paid	-	-	-	-

See accompanying notes to the financial statements

Xtreme Coil Drilling Corp.

Notes to the Financial Statements
For the three and six months ended June 30, 2006

1. Nature of operations

Xtreme Coil Drilling Corp. (the "company" or "Xtreme"), was incorporated May 24, 2005 under the Business Corporations Act of Alberta. Xtreme is in the business of operating coiled tubing drilling rigs using new patent-pending coiled rig designs and technology. Xtreme's patents for the designs are currently pending in the United States. Upon completion of the Coil Over Top Drive™ drilling rigs, the company plans to contract out these units to oil and gas exploration and development companies in both Canada and the United States. Activities are currently directed from the company's head office in Calgary, Alberta, Canada.

2. Significant accounting policies

These unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles and include only the accounts of the company and its wholly-owned subsidiaries. These interim financial statements follow the same accounting policies and methods as the most recent financial statements for the year ended December 31, 2005. These statements include all adjustments necessary to present fairly the results for the interim periods. The disclosures included below are incremental to those included with the annual financial statements. These unaudited interim financial statements should be read in conjunction with the most recent annual financial statements and notes included in the Xtreme's financial statements for the year ended December 31, 2005.

3. Equipment

	Jun 30, 2006		Dec 31, 2005	
	Cost	Accumulated amortization	Net	Net
Computer equipment	\$ 121,164	\$ 23,254	\$ 97,910	\$ 44,451
Computer software	116,611	60,757	55,854	27,693
Office furniture	146,265	18,874	127,391	96,235
Leasehold improvements	66,315	7,932	58,383	53,445
Vehicles – capital lease	170,363	8,770	161,593	-
Shop equipment	132,193	549	131,644	-
Drilling equipment – construction in progress	39,171,561	-	39,171,561	13,305,752
	\$ 39,924,473	\$ 120,136	\$ 39,804,337	\$ 13,527,576

Xtreme is currently building coiled tubing drilling rigs under contract with third parties. The Coil Over Top Drive™ drilling rigs will be depreciated at the time the rigs are available for contracting out to Xtreme's customers.

4. Amalgamation

On May 1, 2006 Xtreme amalgamated with Norquay Capital Ltd. ("Norquay") pursuant to an amalgamation agreement approved by shareholders of both companies. Under the terms of the amalgamation agreement, a new entity ("Amalco") was established and will continue operating under the name "Xtreme Coil Drilling Corp." Former shareholders of Xtreme received one common share of Amalco in exchange for each common share held, with 25,541,680 such shares being issued. Former shareholders of Norquay received one common share of Amalco in exchange for 30 common shares held, with 555,556 such shares being issued. The new entity's shares were listed and commenced trading on the TSX Venture Exchange on May 4, 2006.

Xtreme Coil Drilling Corp.

Notes to the Financial Statements
 For the three and six months ended June 30, 2006

4. Amalgamation *(continued)*

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of amalgamation.

Cash	\$ 1,817,344
Accounts payable	(14,932)
Net assets acquired	\$ 1,802,412
Value assigned to shares issued	\$ 1,802,412

5. Share capital

a. Authorized and issued shares

Xtreme is authorized to issue an unlimited number of common voting and preferred shares without nominal or par value. The company has no preferred shares outstanding. The following is a summary of Xtreme's issued and outstanding common shares.

	June 30, 2006		December 31, 2005	
	Number	Amount	Number	Amount
Balance before receivable from shareholder, beginning of period	17,641,680	\$40,483,580	-	\$ -
Shares issued:				
Initial private placement for cash	-	-	6,170,013	9,255,018
Issued in exchange for advance to Shareholder	-	-	200,000	300,000
Issued in lieu of signing bonus	-	-	21,667	32,500
Issued in exchange for patents	-	-	1,250,000	1,875,000
Private placement for cash, net of issue cost	-	-	10,000,000	28,525,251
Private placement for cash, net of issue cost	7,900,000	51,903,779	-	-
Shares issued upon amalgamation, net of issue cost	555,556	1,588,704	-	-
Warrants exercised	666,667	2,000,000	-	-
Exercised agent options	5,000	27,306	-	-
Future income tax effect of share issue cost	-	1,125,780	-	495,811
	9,127,223	56,645,569	17,641,680	40,483,580
Receivable from the shareholder	-	(300,000)	-	(300,000)
Balance, end of period	26,768,903	\$96,829,149	17,641,680	\$40,183,580

Xtreme Coil Drilling Corp.

Notes to the Financial Statements
 For the three and six months ended June 30, 2006

b. Shares and agent options issued upon amalgamation

Pursuant to the amalgamation 555,556 shares of Xtreme were issued to former shareholders of Norquay in exchange for shares of Norquay. In addition, Xtreme issued Agent options to purchase 23,333 shares of Xtreme with a strike price of \$4.50 per share in exchange for agent options to purchase shares of Norquay. All of the agent options were fully exercisable when issued and expire on May 4, 2008 if not exercised. During the second quarter 5,000 agent options were exercised, leaving 18,333 agent options outstanding.

c. Stock options outstanding

Xtreme has established a stock option plan for directors, officers, employees and consultants which permits the granting of options to purchase up to a maximum of 10 percent of the company's issued outstanding shares. The number of options and exercise price thereof is set by the board of directors at the time of option grant provided that such exercise price shall not be less than that from time to time permitted under the rules of any stock exchange or exchanges on which the company's shares may be listed. Options granted under the plan may be exercisable for a period not exceeding five years, generally with one-third of the options vesting each year for the first three years, commencing one year after grant.

During the second quarter of 2006, the board of directors approved the granting of 144,500 and 33,500 options at exercise prices of \$7.00 and \$13.52, respectively. As of June 30, 2006, a total of 1,968,000 (2005 – 1,610,000) options were outstanding. During the second quarter, a compensation expense of \$82,273 (2005- nil) relating to these options was recorded as part of stock-based compensation expense and credited to contributed surplus.

Xtreme 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 no dividends are paid on common shares, a risk-free interest rate of 4 percent, an average life of 3.0 years and an expected volatility ranging from zero to 50 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 stock options and a corresponding credit is made to contributed surplus. Upon the exercise of the stock options, consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. In the event that options expire without being exercised, previously recognized compensation expense associated with such stock options is not reversed.

A summary of the status of Xtreme's stock option plan at June 30, 2006 is presented below.

	June 30, 2006		December 31, 2005	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	1,610,000	\$ 3.00	-	\$ -
Granted	358,000	6.39	1,610,000	3.00
Exercised	-	-	-	-
Expired/cancelled	-	-	-	-
Outstanding, end of the period	1,968,000	\$ 3.62	1,610,000	\$ 3.00
Options exercisable, end of period	-	-	-	-

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
\$3.00 - \$ 4.50	1,755,000	4.3 yrs	\$ 3.09	-	-
\$7.00 - \$13.52	213,000	4.8 yrs	\$ 7.99	-	-
\$3.00 - \$ 7.00	1,968,000	4.3yrs	\$ 3.62	-	-

Xtreme Coil Drilling Corp.

Notes to the Financial Statements
For the three and six months ended June 30, 2006

d. Performance warrants

As described in more detail in the notes to the December 31, 2005 financial statements, during 2005 Xtreme issued 1,000,000 Series 1 and 1,000,000 Series 2 common share Performance Warrants. All warrants expire on July 21, 2008 if not exercised.

During the second quarter Xtreme's liquidity value exceeded the threshold value of \$4.75 per share established within the agreement for the 1,000,000 Series 1 Performance Warrants. As a result, all Series 1 Performance Warrants became exercisable. During the second quarter 666,667 warrants were exercised, leaving 333,333 warrants exercisable and outstanding.

The Series 2 Performance Warrants are not exercisable and will not vest until the date on which any of the initial patent applications are issued to Xtreme as patents.

e. Diluted earnings per share

Common shares potentially issuable in exchange for stock options, agent options and performance warrants are not included in the computation of diluted earnings per share as to do so would be anti-dilutive.

6. Credit facilities

In March 2006, Xtreme negotiated credit facilities with a major Canadian bank. The facilities require the company to maintain certain financial covenants. At June 30, 2006 Xtreme was in compliance with these covenants.

Xtreme has a \$5 million operating loan facility. This facility bears interest at the bank's prime rate plus 0.25 percent and is secured by accounts receivable. At June 30 no amount was owing under this facility.

Xtreme has a \$50 million committed 364-day extendible revolving credit facility. The facility is extendible at the bank's discretion for a further period of 364 days and reverts to a term loan to be repaid monthly over a period of 48 months. The extendible revolving facility bears interest at the bank's prime rate plus 0.75 percent. If not extended the term loan bears interest at the bank's prime rate plus 1.00 percent. A standby fee of 0.35 percent per annum applies to the unutilized portion of the facility. The facility is secured by a general security agreement over all of Xtreme's present and future assets, excluding Xtreme's intellectual property.

7. Commitments

Xtreme has commitments to suppliers with respect to contracts for the construction of the Coil Over Top Drive™ drilling rigs in the amount of \$52.3 million (2005 - \$26.0 million) which are not reflected in these financial statements.

Xtreme completed an amalgamation with Norquay Capital Ltd. on May 1, 2006. Xtreme's common shares commenced trading on the TSX Venture Exchange under the symbol "XDC" when the market opened on Thursday, May 4, 2006.

For further information please contact

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Information relating to Xtreme Coil Drilling Corp. is also available on SEDAR at
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Corporate information

Board of Directors

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President, Characo
Corporation
Calgary, AB

Richard R. Charron
Chief Executive Officer
Xtreme Coil Drilling Corp.
Calgary, AB

Daniel Z. Remenda
Independent Businessman]
Calgary, AB

Marc Staniloff
Chairman and
Chief Executive Officer
Superior Lodging Corp.
Calgary, AB

Kyle W. Swingle
Chief Operating Officer –
Canadian Operations
Xtreme Coil Drilling Corp.
Greenwood Village, CO, USA

David A. Tuer
Independent Businessman
Calgary, AB

Thomas D. Wood
Chairman and Managing
Director, United States and
International Operations
Xtreme Coil Drilling Corp.
Calgary, AB

Management

Richard Charron
Chief Executive Officer

Kyle Swingle
Chief Operating Officer
- Canadian Operations

Vic Fitch
Chief Financial Officer
and Corporate Secretary

Richard Havinga
Vice President, Engineering
and Design

Scott Hennenfent
Corporate Controller

Chris White
Manager, United States
Operations

Reg Layden
Manager, Canadian
Operations

Auditors

PricewaterhouseCoopers LLP
Calgary, AB

Bank

HSBC Bank Canada
Calgary, AB

Solicitors

Burnet, Duckworth & Palmer LLP
Calgary, AB

Stock Exchange and Symbol

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"XDC"

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