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For Immediate Release

Xtreme Coil Drilling Generates Initial Revenue and Announces 2006 Nine Month Results

Calgary, Alberta (TSX: "XDC") November 10, 2006 – Xtreme Coil Drilling Corp. ("Xtreme", the "company") provides an operations update and announces financial results for the three and nine months ended September 30, 2006.

Second Coil Rig Delivered

In September 2006, Xtreme completed a second Coil Over Top Drive™ drilling rig (patent-pending). This XTC 200ST single trailer rig, has moved to the United States and began drilling in October for a major exploration and production (E&P) company. The XTC 200ST features innovative new design for coil drilling rigs, making it one of the fastest moving and quickest to rig up among any of its competitors and one of the deepest capacity coil drilling rigs currently operating in North America.

Coil Rigs Redeployed to the United States

Xtreme has deployed two XTC 200ST rigs initially intended to operate in Canada to the United States where these rigs are attracting higher day rates and more operating days. Xtreme now expects to have one XTC 200ST operating in Canada by year-end 2006.

We are currently commissioning and preparing to transport Xtreme's third coil drilling rig - an XTC 200DT double trailer rig - and expect to deliver it to the field in the United States in November. Xtreme has seven more Coil Over Top Drive™ drilling rigs in various stages of construction.

Year-end Rig Deliveries

Xtreme continues to experience unanticipated delays in commencement of full field operations mostly due to late delivery of third party components. We have taken a number of steps intended to mitigate future delays in rig deliveries. Subject to receiving key components from suppliers, Xtreme now anticipates exiting 2006 with six Coil Over Top Drive™ drilling rigs.

TSX Listing Achieved

During the 2006 third quarter, Xtreme met all the requirements to graduate to trading of our common shares on the Toronto Stock Exchange which commenced on September 5, 2006.

Patent Applications Pending

Currently Xtreme has fifteen patent applications pending. These patent applications relate to Xtreme's coiled tubing technology including equipment and methods for coiled tubing drilling to depths of 3,000 meters as well as design of associated transportation units.

2006 Third Quarter Highlights

- produced initial revenue as drilling operations commenced;
- completed and took delivery of second coil drilling rig;
- continued vigorous build-out program for Xtreme's Coil Over Top Drive™ drilling rigs;
- continued development of proprietary intellectual property;
- graduated to trading of common shares on the Toronto Stock Exchange.

Management's Discussion and Analysis ("MD&A") For the three and nine months ended September 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 nine months ended September 30, 2006 and management's outlook is based on information available as at November 9, 2006. Xtreme was incorporated May 24, 2005. For this MD&A, where available, Xtreme has provided comparative data for the three months ended June 30, 2006.

Management recommends reading this 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 nine months ended September 30, 2006. Management has prepared the consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") and expressed all amounts 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. Management cautions prospective investors 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 preliminary nature of the information which 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 utilizing Coil Over Top Drive™ rigs that drill deeper with larger coil. Xtreme has developed new patent-pending coiled tubing technologies and designs. In addition to their larger coil capabilities, Xtreme's drilling rigs feature rapid transition between drilling with coil and drilling with conventional jointed drill pipe. These innovative Coil Over Top Drive™ rigs use larger injectors that can accommodate heavier hook loads for deeper drilling. One aspect of the company's new designs focuses on transporting the drilling rig components in fewer loads which results in faster rig-up and rig-out times. Xtreme is currently building drilling rigs under contract with several third parties. Once they are built and commissioned, Xtreme contracts these efficient new drilling rigs to oil and gas exploration and production ("E&P") companies. Xtreme currently focuses on the drilling market in both the United States and western Canada, with the majority of operations planned for the United States.

Xtreme's corporate and head office is in Calgary, Alberta. Xtreme's United States field office is in Casper, Wyoming and we plan to establish a sales office in Denver, Colorado.

Currently, Xtreme has fifteen patent applications pending in the United States. Xtreme is filing similar applications in other jurisdictions worldwide. 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 continues 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 September 5, 2006, Xtreme's common shares graduated to trading on the Toronto Stock Exchange under the same symbol.

Equipment under Construction

Since inception, Xtreme planned to build 10 rigs in 2006 and 14 rigs in 2007. Unforeseen delays in key components have slowed this build-out. In fact, several key components not yet received have been on order for more than a year. The robust economic environment in Alberta has resulted in demand beyond the capability of many Alberta equipment manufacturers.

Xtreme has designed five different models of coiled tubing drilling rigs. At September 30, 2006, two rigs were completed and ready for field operations, eight rigs were in various stages of construction and four more rigs were on order.

Xtreme's efforts focus on timely delivery of our drilling rig components. These efforts include obtaining a number of components outside of Alberta, as well as sourcing components from multiple suppliers, to achieve simultaneous production of certain required components with the objective of accelerating delivery of Xtreme's next rigs. Once third party suppliers provide the outstanding components, Xtreme completes the assembly with the remaining components and, finally, fully rigs-up and commissions each drilling rig.

Initially, we expected 70 to 80 percent of Xtreme's drilling rig fleet would work in the United States. Current market conditions suggest that the proportion of Xtreme's rigs working in the United States will be higher. Subject to delivery of key components from suppliers, Xtreme now expects to exit 2006 with six drilling rigs completed and that five of these rigs will move to the United States

Selected Quarterly Financial Information

<i>(unaudited)</i>	Three months ended					
	30 Sep 2006	30 Jun 2006	31 Mar 2006	31 Dec 2005	30 Sep 2005	30 Jun 2005
<i>(\$ thousand, except per share amounts)</i>						
Revenue	1,198	-	-	-	-	-
Net loss	426	334	272	3,078	209	76
Net loss per share	0.02	0.01	0.01	0.22	0.02	0.22
Funds used in operations ⁽¹⁾	317	262	266	142	156	43
Capital assets	64,275	39,804	24,545	13,528	5,988	-
Total assets	101,169	98,766	94,052	41,605	39,854	11,453

⁽¹⁾ Management cautions readers that 'funds used in operations' does not have a standardized meaning prescribed by GAAP: However, Xtreme computes funds used in operations on a consistent basis for each reporting period.

Results of Operations

Xtreme's first XTC 200ST (Rig #1) commenced drilling in Alberta in July 2006. During the quarter, Rig #1 achieved 51 spud-to-release days, representing 79 percent utilization from the rig's completion date to the end of this reporting quarter. Total revenue for Rig #1 was \$1,198,000 with operating costs of \$879,000. Gross margin for the 2006 third quarter was \$319,000 or 27 percent of revenue. During the current quarter, field overhead impacted gross margin. In the future, we anticipate a reduction in this overhead impact when Xtreme's fleet of coil drilling rigs is fully operational. During the fourth quarter management decided to transfer Rig #1 to Colorado to drill under contract.

Our second XTC 200ST (Rig #2) was ready to start working in September 2006. Before it could commence drilling in Alberta, management decided to transfer Rig #2 to Wyoming where it started drilling in October. Thus, our first two rigs are now located in the Rocky Mountain region of the United States where they will drill under contract. Xtreme's clients have expressed satisfaction with the performance of Xtreme's first two rigs.

Our third rig, an XTC 200DT (Rig #4), is being commissioned and will move to the United States Rocky Mountain region. Rigs #1, #2 and #3 are XTC 200ST models, which are single trailer rigs. Rigs #4 and #5 are XTC 200DT models, which are double trailer rigs. Due to delivery delays, Xtreme redeployed key components from Rig #3 to complete Rig #4 so that it could commence drilling under a previously negotiated long-term contract.

We are marketing Xtreme drilling rigs in the United States and Canada and seeking long-term contracts for the majority of our fleet. Xtreme has signed long-term contracts for six rigs with two major E&P companies in the United States. Contract negotiations with other E&P companies are ongoing. In anticipation of becoming fully operational, the total number of employees in all areas of Xtreme increased to 61 at September 30, 2006 from 31 at June 30, 2006.

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

SG&A for the three months ended September 30, 2006 was \$1,091,000 (2Q 2006 - \$804,000). Included during the third quarter were costs associated with graduating trading of Xtreme's common shares to the Toronto Stock Exchange and the start-up of Xtreme's United States' office. 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 September 30, 2006 increased to \$127,000 (2Q 2006 - \$82,000). This increase was the result of depreciation of the first rig upon commencing active field operations. Xtreme's policy for depreciating drilling rigs is the unit-of-production method over 5,000 days with a 20 percent residual value. This method is based on the estimated useful life of the asset and is similar to rates used by other companies in the industry.

Stock-Based Compensation

Stock-based compensation for the three months ended September 30, 2006 increased to \$123,000 (2Q 2006 - \$84,000). This increase is the result of granting of options to purchase common shares during the 2006 third quarter as well as an increase in the volatility assumption associated with Xtreme becoming a public company.

Foreign Exchange

Xtreme realized a foreign exchange gain for the three months ended September 30, 2006 of \$16,000 (2Q 2006 - \$34,000 loss). These foreign exchange gains and losses result from a translation on Xtreme's United States dollar cash and accounts payable balances. In particular, most of the third quarter's gain resulted from Xtreme holding United States dollar cash on hand while the exchange rate recovered. Fluctuations in foreign currency exchange rates exposed Xtreme to risk because certain ongoing expenses and capital costs are denominated in United States funds although there was no source that generated United States funds. Starting in the 2006 fourth quarter, 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

Xtreme had interest expense for the three months ended September 30, 2006 of \$48,000 (2Q 2006 - \$45,000). The major component of this cost was the standby fee of 0.35 percent on Xtreme's \$50 million revolving credit facility. Interest charges for field vehicles under capital leases are also included in this category.

Interest Income

Interest income for the three months ended September 30, 2006 was \$487,000 (2Q 2006 - \$621,000). This resulted from the 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 decreased when Xtreme used funds for the rig build program.

Income Taxes

During the 2006 second quarter, the federal government 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 Corporations Tax effective January 1, 2006 and the elimination of the corporate surtax effective January 1, 2008. In addition, the Alberta government also enacted reduced corporate tax rates from 11.5 percent to 10 percent effective April 1, 2006.

During the three months ended September 30, 2006, Xtreme recorded a future income tax recovery of \$168,000 (2Q 2006 - \$94,000). The increased recovery provision is primarily the result of a larger loss.

Net Loss

The net loss for the three months ended September 30, 2006 was \$426,000 (2Q 2006 - \$334,000). This increased loss was the net result of increased expenses in all categories, mitigated substantially by the initial revenue from Rig #1 operations.

Financial Condition, Liquidity and Capital Resources

At September 30, 2006 Xtreme had cash balances of \$29.9 million (2Q 2006 - \$53.5 million), a decrease of \$23.6 million. Similarly, working capital decreased to \$25.6 million (2Q 2006 - \$50.4 million). Drilling rigs under construction, as well as completion of the first two rigs, contributed to these decreases.

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 that 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 \$24.5 million in fixed assets during the three months ended September 30, 2006 (2Q 2006 - \$15.3 million), primarily for continued construction of drilling rigs. We estimate the total cost of the first ten drilling rigs in our program at approximately \$85 million. At September 30, 2006, Xtreme had incurred costs of approximately \$52 million, leaving costs of approximately \$33 million to complete the first ten drilling rigs.

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

Outstanding Common Shares

As at September 30, 2006, Xtreme had 26,780,920 common shares outstanding. During the 2006 third quarter, Xtreme issued 12,017 common shares on the exercise of agent options.

As at September 30, 2006, there were outstanding 2,046,000 options to purchase common shares at a weighted average exercise price of \$3.91 per share. In addition, 6,316 agent options were outstanding at an exercise price of \$4.50 per share. All of the agent options became 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 vested or currently exercisable. The aggregate effect of the stock options, agent options and performance warrants would increase Xtreme's common shares outstanding to 30,166,569.

Share capital on November 9, 2006 was \$96.9 million (26,780,920 common shares).

Critical Accounting Estimates

Note 2 in the annual consolidated financial statements as at December 31, 2005 describes Xtreme's significant accounting policies for 2006.

Business Risks and Uncertainties

A number of risks and uncertainties affect Xtreme's operations. Although Xtreme can take actions to mitigate some of these risks, many risks are beyond our control. The risks discussed in this section are not 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. While Xtreme recognizes the importance of its pending patents, any decision to award patents is outside Xtreme's control.

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. Numerous factors over which Xtreme has no control influence industry activity, including, but not limited to, 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 depths of up to 3,000 meters (approximately 10,000 feet) with coil and up to 4,100 meters (approximately 14,000 feet) 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.

Although Canadian drilling activity softened during the third quarter, primarily due to weakening natural gas prices, this only minimally affected Xtreme's operating results during the 2006 third quarter. Our first drilling rig continued to work with minimal downtime until the beginning of the fourth quarter. Although Rig #2, an XTC 200ST, was ready to commence drilling before the end of the quarter, weaker Canadian market conditions prompted management to decide to move Rig #2 to the more active United States market where it commenced drilling under an existing long-term contract. This contract will ultimately be completed by one of our XTC 200DT model rigs.

Early in the fourth quarter Xtreme's Rig #1 moved from Canada to the United States. Factors in this decision were: higher day rates; better potential utilization and existing long-term contracts in the United States. Further, the decision responded to unanticipated delays in delivery of key components for rigs originally designed for the United States market and reduced drilling activity in much of the Canadian market. Depending on market conditions, these rigs could continue to work in the United States or return to work in Canada. Xtreme will continue to closely monitor market conditions in both countries and determine whether these rigs might return to the Canadian market.

The Petroleum Services Association of Canada expects drilling of 23,900 oil and natural gas wells in Canada for 2006 and a 10 percent reduction to 21,500 wells for 2007, primarily as a result of reduced shallow natural gas drilling. Xtreme's drilling rigs are designed for deeper wells and we expect to be more active in the United States where drilling rig usage has demonstrated continued strength throughout 2006.

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**

	Sep 30 2006 <i>(unaudited)</i>	Dec 31 2005
Assets		
Current assets		
Cash and cash equivalents	\$ 29,911,020	\$ 25,224,576
Accounts receivable	2,373,056	181,934
Prepaid expenses	340,620	76,593
Inventory	149,733	-
	32,774,429	25,483,103
Future income tax	2,138,078	641,359
Equipment (note 3)	64,275,191	13,527,576
Intangibles	1,980,915	1,952,708
	\$ 101,168,613	\$ 41,604,746
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,120,981	\$ 1,720,840
Current portion of obligations under capital leases	78,786	-
	7,199,767	1,720,840
Long term liabilities		
Obligations under capital leases	157,954	-
	7,357,721	1,720,840
Shareholders' Equity		
Share capital (note 5)	96,872,336	40,183,580
Contributed surplus	1,333,503	3,063,832
Deficit	(4,394,947)	(3,363,506)
	93,810,892	39,883,906
	\$ 101,168,613	\$ 41,604,746

Commitments (note 7)

See accompanying notes to the consolidated financial statements

On behalf of the board of directors,

Signed "*Marc Staniloff*"
Director

Signed "*Richard R.A. Charron*"
Chief Executive Officer

Xtreme Coil Drilling Corp. Consolidated Statement of Operations and Deficit

	Three months ended Sep 30 2006 <i>(unaudited)</i>	Three months ended Sep 30 2005 <i>(unaudited)</i>	Nine months ended Sep 30 2006 <i>(unaudited)</i>	For the period from May 24 to Sep 30 2005 <i>(unaudited)</i>
Sales	\$ 1,197,865	\$ -	\$ 1,197,865	\$ -
Expenses				
Operating expenses	879,281	-	879,281	
Selling, general and administrative	1,091,438	290,928	2,494,565	362,794
Depreciation of capital assets	127,436	29,123	223,265	29,123
Amortization of intangibles	26,168	-	77,274	-
Stock-based compensation	122,904	24,130	256,920	24,130
Foreign exchange (gain) loss	(15,992)	50,504	21,013	68,573
Interest expense	47,722	-	92,853	-
Interest (income)	(487,462)	(185,511)	(1,444,925)	(199,497)
Loss before income tax	(593,630)	(209,174)	(1,402,381)	(285,123)
Future income tax recovery	167,925	61,700	370,940	87,700
Net loss for the period	(425,705)	(147,474)	(1,031,441)	(197,423)
Deficit, beginning of period	(3,969,242)	(49,949)	(3,363,506)	-
Deficit, end of period	\$ (4,394,947)	\$ (197,423)	(4,394,947)	\$ (197,423)
Net loss per common share - basic and diluted	(0.02)	(0.01)	(0.04)	(0.02)
Weighted average number of common shares - basic and diluted	26,769,451	345,496	24,318,059	11,103,535

See accompanying notes to the consolidated financial statements

Xtreme Coil Drilling Corp. Consolidated Statement of Cash Flows

	Three Months Ended Sep 30, 2006 <i>(unaudited)</i>	Three Months ended Sep 30, 2005 <i>(unaudited)</i>	Nine Months Ended Sep 30, 2006 <i>(unaudited)</i>	For the period from May 24 to Sep 30, 2005 <i>(unaudited)</i>
Cash provided by (used in) operating activities				
Net loss for the period	(\$425,705)	\$ (147,474)	\$ (1,031,441)	(\$197,423)
Items not affecting cash:				
Depreciation and amortization	153,604	29,123	300,539	29,123
Stock-based compensation	122,904	24,130	256,920	24,130
Signing bonus settled in common shares	-	-	-	32,500
Future income tax	(167,925)	(61,700)	(370,940)	(87,700)
	(317,122)	(155,921)	(844,922)	(199,370)
Changes in non-cash operating working capital	(1,086,784)	(236,165)	(1,944,638)	(257,722)
	(1,403,906)	(392,086)	(2,789,560)	(457,092)
Financing activities				
Proceeds from shares issued upon amalgamation	-	-	1,802,412	-
Proceeds from shares issued	54,078	28,595,520	55,383,246	37,862,538
Financing costs	-	79,179	(3,609,930)	(79,179)
Capital lease payments	(16,158)	-	(26,380)	-
	37,920	28,516,341	53,549,348	37,783,359
Investing activities				
Acquisition of equipment	(24,505,533)	5,934,811	(50,707,761)	(5,934,811)
Increase in intangibles	(32,813)	-	(105,480)	-
Changes in non-cash working capital relating to capital items	2,342,659	-	4,739,897	-
	(22,195,687)	5,934,811	(46,073,344)	(5,934,811)
Increase in cash and cash equivalents during the period	(23,561,673)	22,189,444	4,686,444	31,391,456
Cash and cash equivalents - beginning of period	53,472,693	\$ 9,202,012	25,224,576	-
Cash and cash equivalents - end of period	\$ 29,911,020	\$ 31,391,456	\$ 29,911,020	\$ 31,391,456
Supplemental Disclosure of Cash Flow Information				
Interest received	\$ 560,238	\$ 152,606	\$ 1,411,110	\$ 161,711
Interest paid	47,722	-	92,853	-
Income tax paid	-	-	-	-

See accompanying notes to the financial statements

Xtreme Coil Drilling Corp.

Notes to the Financial Statements
For the three and nine months ended September 30, 2006

1. Nature of operations

Xtreme Coil Drilling Corp. ("Xtreme" or the "company"), 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 period 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 period ended December 31, 2005.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned at September 30, 2006. All inter-entity transactions have been eliminated.

Foreign currency translation

The operations of Xtreme Coil Drilling Corporation, the United States operating subsidiary, are considered to be integrated foreign operations and are translated using the temporal method under which all foreign currency transactions are translated at the rate in effect as at the transaction date. Monetary assets and liabilities are translated at the rate in effect as at the balance sheet date, non-monetary assets and liabilities are translated at their historical rate and gains and losses are recognized into the consolidated statements of operations in the period that they arise.

Drilling equipment depreciation

The Company records drilling equipment at cost and depreciated using a unit of production method based on 5,000 drill days with an estimated residual value of 20 percent.

3. Equipment

	Sep 30, 2006		Dec 31, 2005	
	Cost	Accumulated amortization	Net	Net
Office and shop equipment	\$ 593,935	\$ 152,538	\$ 441,398	\$ 168,379
Leasehold improvements	66,315	10,695	55,620	53,445
Vehicles – owned or under capital lease	263,120	25,179	237,941	-
Drilling equipment	14,915,700	59,160	14,865,540	53,445
Drilling equipment – construction in progress	48,683,692	-	48,683,692	13,305,752
	\$ 64,522,763	\$ 247,572	\$ 64,275,191	\$ 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.

Xtreme Coil Drilling Corp.

Notes to the Financial Statements
For the three and nine months ended September 30, 2006

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 common shares were listed and commenced trading on the TSX Venture Exchange on May 4, 2006.

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	<u>(14,932)</u>
Net assets acquired	<u>\$ 1,802,412</u>
Value assigned to shares issued	<u>\$ 1,802,412</u>

5. Share capital 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. Following is a summary of Xtreme's issued and outstanding common shares.

	September 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	1,566,277	-	-
Warrants exercised	666,667	2,000,000	-	-
Exercised agent options	17,017	92,921	-	-
Future income tax effect of share issue cost	-	1,125,779	-	495,811
	9,139,240	56,688,756	17,641,680	40,483,580
Receivable from shareholder	-	(300,000)	-	(300,000)
Balance, end of period	<u>26,780,920</u>	<u>\$ 96,872,336</u>	<u>17,641,680</u>	<u>\$ 40,183,580</u>

Xtreme Coil Drilling Corp.

Notes to the Financial Statements

For the three and nine months ended September 30, 2006

a. Private placements

In March 2006, Xtreme completed an additional private placement pursuant to which 7,900,000 common shares were issued at a price of \$7.00 per common share for gross proceeds of \$55,300,000. A commission of 6 percent of gross proceeds or \$3,318,000 was paid to the agent. In addition, legal and financing fee costs of \$78,221 resulted in net proceeds to Xtreme of \$51,903,779, which were credited to the share capital.

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. Xtreme acquired net assets of \$1,802,412 and incurred issue costs of \$236,135, leaving net value attributed to these shares of \$1,566,277. 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 2006 third quarter 12,017 agent options were exercised, leaving 6,326 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 common 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 common 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 2006 third quarter, the board of directors approved the granting of 39,000, 30,000 and 9,000 options at exercise prices of \$10.81, \$11.94, and \$12.06, respectively. As of September 30, 2006, a total of 2,046,000 (2005 – 1,610,000) options were outstanding. During the second quarter, a compensation expense of \$122,904 (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 by the company 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 ranging from 4 to 4.5 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 the options expire without being exercised, previously recognized compensation expense associated with such stock options is not reversed.

Xtreme Coil Drilling Corp.
Notes to the Financial Statements
For the three and nine months ended September 30, 2006

A summary of the status of outstanding agent options and Xtreme's stock option plan at September 30, 2006 is presented below.

	September 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	459,333	7.14	1,610,000	3.00
Exercised	17,017	4.50	-	-
Expired/cancelled	-	-	-	-
Outstanding, end of the period	2,052,316	\$ 3.91	1,610,000	\$ 3.00
Options exercisable, end of period	6,316	-	-	-

Range of exercise prices	Options outstanding		Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Number exercisable	Weighted average exercise price
\$3.00 - \$ 4.50	1,761,316	3.9 yrs	472,982	\$ 3.00
\$7.00 - \$13.52	291,000	4.7 yrs	-	-
\$3.00 - \$ 7.00	2,052,316	4.0 yrs	472,982	\$ 3.00

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 2006 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 September 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 September 30, 2006 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. At September 30, 2006, no amounts had been drawn on this facility.

Xtreme Coil Drilling Corp.

Notes to the Financial Statements

For the three and nine months ended September 30, 2006

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 \$52.0 million (2005 - \$26.0 million).

Reader Advisory

The information in this news release may include certain information and statements about management's view of future events, expectations, plans and prospects that constitute forward-looking statements. Assumptions that are subject to significant risks and uncertainties are the basis for these statements. Because of these risks and uncertainties and, as a result of a variety of factors, the actual results, expectations, achievements or performance may differ materially from those anticipated and indicated by these forward-looking statements. Although Xtreme believes that the expectations reflected in forward-looking statements are reasonable, we can give no assurances that the expectations of any forward-looking statements will prove to be correct. Xtreme disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise, except as required pursuant to applicable securities laws.

Corporate Profile

Xtreme Coil Drilling Corp. develops and applies leading edge technology and designs to build and transport new Coil Over Top Drive™ drilling rigs. These efficient drilling rigs, which will operate in both the United States and Canada, are capable of drilling deeper for hydrocarbons using larger coil. Xtreme completed an amalgamation with Norquay Capital Ltd. on May 1, 2006. On September 5, 2006, Xtreme's common shares graduated to trading on the Toronto Stock Exchange ("TSX") after beginning trading on May 4, 2006 on the TSX Venture Exchange under the symbol "XDC".

For further information please contact

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