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For Immediate Release

Xtreme Coil Updates Operations and Reports 2008 First Half Results

Calgary, Alberta (TSX: "XDC") August 08, 2008 – 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, 2008 ("2008 2Q"), with comparative data for same period in 2007 ("2007 2Q") and for the year ended December 31, 2007.

Highlights

- contracted four Coil Over Top Drive® ("COTD™") drilling rigs to Weatherford de México S.A. de C.V.;
- incorporated a new subsidiary, Xtreme Coil Drilling México, S.A. de C.V.;
- continued technical success drilling "S" curve wells with 3-1/2 inch coiled tubing;
- commenced operations in south Texas with second XTC 200DT^{Plus} drilling rig;
- welcomed appointment of Peter J. Sharpe to board of directors;
- completed \$35 million private placement;
- acquired 49 percent interest in Coil-X Drilling Systems Corporation from joint venture partner; formed new Coil-X joint venture;
- entered into agreement to increase credit facility.

Operations Update

During July 2008, Xtreme Coil's fleet of 12 COTD™ drilling rigs continuously ramped-up activity and, by early August, 13 rigs were operational with ten in the United States, two in Canada and one in México. We are commissioning three further rigs for deployment to the same project in México during 2008 Q3. Subsequent to the contracts for four rigs, Weatherford de México S.A. de C.V. provided a further letter of intent to contract a fifth drilling rig for delivery on a mutually agreed future date. We are now pursuing other opportunities in northern México.



Xtreme Coil now delivers contract drilling services from Calgary, AB, Casper and Cheyenne WY, Denver CO, Houston TX and Poza Rica, México.

To continue Xtreme Coil's emphasis on delivering our next generation drilling technology to a larger segment of crude oil and natural gas exploration and development programs in the United States, Canada and outside North America, we have established an office in Houston, Texas. We believe Xtreme Coil's entry into México has long-term potential because of the strong demand in that drilling market and the cash flow that its year-round drilling projects can contribute. To coordinate our contract drilling services in México, initially for the Chicontepec project, we are establishing an operations office in Poza Rica, México. Staffing of these two new offices with appropriate personnel is underway.

During 2008 2Q, Xtreme Coil enhanced previous technical success using 3-1/2 inch coil by drilling a number of "S" curve wells to reach depths of approximately 7,600 feet in Colorado. On a recent "S" curve well, we drilled from 1,017 feet under surface casing to total depth of 7,507 in 38.5 hours. We have accomplished this in cooperation with a major directional drilling services company to test and prove the application of their new rotary steerable tool designed for coiled tubing.

Another market with substantial potential for Xtreme Coil involves re-entry drilling projects within and beyond North America. Our leading-edge drilling technology is ideally suited to this application and we have discussions underway to respond to specific customer interest.

In June, Xtreme Coil's board of directors welcomed Peter J. Sharpe, Vice President, Technical Wells, Shell International Exploration and Production BV, as a new director. Based in The Netherlands, Peter brings expertise and a diverse range of operations management experience in technically demanding international locations.

Subsequent to completing a private placement of \$35 million, Xtreme Coil's board of directors approved an increase of our 2008 capital program to \$46 million. Management is assessing the drilling market outlook in a number of regions and implications for the next major phase of our rig construction program. We will focus on securing additional long-term commitments for our rigs to reflect increased utilization and market recognition of the value that can be gained from employing Xtreme Coil's drilling technology.

Compared to 2007 2Q, operating days increased 69 percent although rig utilization was down 21 percent. During 2008 2Q, Xtreme Coil interrupted robust drilling operations for our XTC 400 rigs in the United States to analyse and correct a mechanical problem in one rig's conventional drilling equipment provided by third party manufacturers. Our in-house engineering team developed the appropriate modification and, to protect operating personnel, shut down all working XTC 400 rigs to modify each one. We have now integrated this design modification into new COTD™ rigs under construction. Downtime of 46 operating days related to equipment modifications resulted in lost revenue while incurring ongoing operating costs during 2008 2Q.

We expect to deliver much higher rig utilization in 2008 Q3, having generated more than 300 operating days in July. Deployment of new rigs in 2008 Q3 will further improve our operating days and expand Xtreme Coil's critical mass in current and new drilling markets.

Tom Wood
Chairman and Chief Executive Officer

2008 Second Quarter Highlights

<i>(\$ thousand except where indicated)</i>	2008 Jun 30	2007 Jun 30	% Change
Revenue	10,527	5,416	94
Net income (loss)	(1,541)	(1,144)	35
Net income (loss) per share (\$)	(0.04)	(0.03)	18
Capital assets	211,948	148,503	43
Operating days ¹	473	280	69
Rig utilization (<i>percentage</i>) ¹	52	66	(21)

¹ see Non-GAAP measures in MD&A

Management's Discussion and Analysis ("MD&A") For the three and six months ended June 30, 2008

Management for Xtreme Coil Drilling Corp. ("Xtreme Coil", the "company", "we", "our") based this MD&A on the operating and financial results 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 for the year ended December 31, 2007. No update is provided where an item is not material or where there has been no material change from the discussion in our annual MD&A. Management has prepared these interim consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") and expressed all amounts in Canadian dollars unless otherwise stated. Management's discussion and analysis is based on information available as at August 7, 2008.

Forward-Looking Statements

This MD&A, or documents incorporated herein, may include certain information, statements and assumptions regarding management's view of future events, expectations, plans, initiatives or prospects that constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to Xtreme Coil's future outlook and anticipated events or results and may include statements related to anticipated future contracts; commodity pricing; rates of currency exchange; rig building, completion or deployment; operating expenses; capital expenditures and other 2008 guidance provided throughout this MD&A.

These statements are based on certain factors and assumptions regarding, among others: projection of current operations; ongoing and future business negotiations and opportunities; timing of capital expenditures; market costs and other variables affecting rig building and operating expenses; the ability of vendors to provide rig component equipment, services and supplies, including labour, in a cost-effective and timely manner; the availability and costs of financing; foreign currency exchange rates; the receipt of applied-for patents; and government regulations. Although Xtreme Coil considers these assumptions reasonable, as of the current date based on information currently available to management, the assumptions may ultimately prove incorrect.

Forward looking-information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors include, but are not limited to: the cyclical nature of drilling markets, currency exchange rates, and commodity prices; access to credit facilities and equity markets; competition from other drilling contractors for customers, labour and vendor-provided rig components. Because of these risks and uncertainties, actual results, expectations, achievements or performance may differ materially from those anticipated and indicated by these forward-looking statements.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Readers should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Xtreme Coil disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise, except as required pursuant to applicable securities laws.

Description of the Business

Xtreme Coil is a drilling contractor using Coil Over Top Drive® ("COTD™") drilling rigs which employ new patented and patent-pending coil designs and technologies. In addition to their coil capabilities, these drilling rigs can drill with conventional jointed drill pipe. Xtreme Coil is currently building drilling rigs under contract 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. Xtreme Coil currently conducts drilling operations in the United States and western Canada and we have begun deploying rigs for operations in Mexico. We continue to pursue opportunities for our drilling contract services within and beyond our current areas of operation.

Xtreme Coil's corporate and head office is in Calgary, Alberta. Xtreme Coil has United States field offices in Casper, and Cheyenne, Wyoming. During the 2008 2Q, Xtreme Coil began work to establish an office in Houston, Texas and, in 2008 3Q has work underway to establish an office in Poza Rica, Veracruz, Mexico.

Xtreme Coil has in place previous long-term contracts for six rigs with two major E&P companies in the United States. Contract negotiations with potential new customers are ongoing. At the end of 2008 2Q, Xtreme Coil signed four new long-term contracts for new drilling rigs to begin operations in México during 2008 3Q.

At June 30, 2008, the United States Patent and Trademark office had issued three patents to Xtreme Coil and notified the Corporation that issuance of a fourth patent would occur in July 2008. The third patent, issued in June 2008, followed the previous two patents, entitled "Coiled Tubing/Top Drive Rig and Method" issued in 2007 1Q. Xtreme Coil has more than 40 further patent applications pending in the United States, Canada and other jurisdictions. Our issued patents and patent applications cover our 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's common shares trade on the Toronto Stock Exchange under the symbol "XDC".

Equipment under Construction

Xtreme Coil has designed six models of COTD™ drilling rigs with five designs completed and deployed to field operations. Our current plan is to complete eighteen drilling rigs. At June 30, 2008, Xtreme Coil had 12 rigs completed (2007 2Q – 7 rigs). Of the twelve rigs completed at June 30, 2008, ten rigs were in the United States and two were in Canada. During 2008 2Q, we deployed a second XTC 200DT^{Plus} to the United States and continued final phases of commissioning of our thirteenth COTD™ rig, an XTC 300, in preparation for its deployment to Mexico. Currently, five more drilling rigs are in various stages of construction.

Selected Quarterly Financial Information (unaudited)**Three months ended**

<i>(\$ thousand, except where noted)</i>	2008 30 Jun	2008 31 Mar	2007 31 Dec	2007 30 Sep
Revenue	10,527	12,335	12,416	9,574
Net income (loss)	(1,541)	496	(204)	(1,338)
Net income (loss) per share (dollars)	(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 ¹	473	579	579	398
Rig utilization (percentage) ¹	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
	2007 30 Jun	2007 31 Mar	2006 31 Dec	2006 30 Sep
Revenue	5,416	4,789	3,620	1,197
Net income (loss)	(1,144)	(517)	(781)	(426)
Net income (loss) per share (dollars)	(0.03)	(0.02)	(0.03)	(0.02)
Capital assets	148,503	111,908	88,511	64,275
Total assets	175,358	168,612	117,735	101,169
Operating days ¹	280	235	163	53
Rig utilization (percentage) ¹	66	65	79	83
Weighted average rigs in service	4.6	4.0	2.3	0.7
Completed rigs, end of quarter	7	4	4	1

¹ see Non-GAAP measures

Xtreme Coil's revenue and operating days increased quarterly until year-end December 2007 as more rigs were deployed and drilling operations expanded. Quarter by quarter increases in capital assets reflect the pace of our rig build program in the over the preceding eight quarters.

In 2008 2Q, Xtreme Coil lost revenue from 46 operating days to conduct modifications to our XTC 400 drilling rigs due to a mechanical problem with conventional drilling equipment provided by third party manufacturers. To address any potential risk to personnel safety, Xtreme Coil interrupted our customers' drilling operations and identified factors related to the mechanical problem using outside experts to audit and review Xtreme Coil's findings and solutions. We have made modifications to the three rigs already in service and have now incorporated the resulting redesign in all new COTD™ rigs under construction.

In the United States, two of our smaller drilling rigs not under contract experienced very low utilization levels during 2008 2Q. In addition, Canadian rigs experienced a substantial reduction in days as compared to 2008 1Q as normal spring break up conditions reduced activity as well as a general slow down in drilling activity for the 2008 2Q in Canada.

In July 2008, our activity levels improved significantly with all completed rigs operating.

Results of Operations

Revenue

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Total revenue	10,527	5,416	94	22,862	10,205	124
Operating days	473	280	69	1,052	514	104
Revenue per operating day	22.3	19.3	15	21.7	19.8	10
Rig utilization (percentage)	52	66	(21)	68	66	(4)

In 2008 2Q, the substantial increase in Xtreme Coil's revenue and operating days reflects the year over year increase in the number of drilling rigs in operation. The modest increase in revenue per operating day reflects the higher proportion of larger rigs in Xtreme Coil's fleet operating at higher daily rates. Revenue per operating day was mitigated by a decline in the United States dollar exchange rate from the same period last year.

Total revenue declined from 2008 1Q reflecting lower operating days in 2008 2Q. Reduced activity levels resulted from time lost while three XTC 400 drilling rigs were temporarily out of service for design modification, limited utilization of our two smaller rigs in the United States and the lengthy spring break-up, combined with wet early summer weather conditions, in Canada.

Operating Expenses

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Operating expenses	8,614	5,043	71	17,528	9,187	91
Operating expenses (percentage of revenue)	82	93	(12)	77	90	(15)
Operating expenses per operating day	18.2	18.0	1	16.7	17.8	(7)

Operating expenses increased on a year-over-year basis as the number of drilling rigs in operation increased. As a percentage of revenue, operating expenses declined as infrastructure costs did not increase in proportion to the expansion of the rig fleet. However operating cost on a per day basis increased during 2008 2Q due to a problem with the XTC 400 rigs that created downtime and additional costs to analyse and modify the equipment. Full rig operating costs continued during this downtime. This impacted the six month year to date operating cost per day figures as well.

Gross Margin¹

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Gross margin	1,913	373	413	5,334	1,018	424
Gross margin (percentage of revenue)	18	7	164	23	10	134
Gross margin per operating day	4.1	1.3	204	5.0	2.0	157

¹ see Non-GAAP measures

In 2008 2Q, the improvement in gross margin from 2007 2Q resulted from increased revenue generated by our expanding fleet of drilling rigs plus a proportionate decrease in support infrastructure on a per-rig basis.

Gross margin was lower for 2008 2Q, compared to 2008 1Q, primarily because of decreases in activity levels as described previously.

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

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
SG&A	1,198	937	28	2,366	2,038	16
SG&A (percentage of revenue)	11	17	(34)	10	20	(48)

For the three months ended June 30, 2008, SG&A increased as expansion of operations required additional infrastructure, specifically the Houston office. SG&A, as a percentage of revenue, decreased from 2007 2Q as Xtreme Coil's rig fleet expanded.

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

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
EBITDA	715	(564)	227	2,969	(1,020)	391

¹ see Non-GAAP measures

In 2008 2Q, the improvement in EBITDA resulted primarily from increased gross margin generated by our expanding fleet of drilling rigs.

EBITDA for 2008 2Q is lower compared to 2008 1Q due to the decrease in activity levels previously described.

Depreciation and Amortization

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Depreciation and amortization	1,529	673	127	3,251	1,106	194

Depreciation, calculated on a unit-of-production basis, increases in relation to the number of operating days. In 2008 2Q, depreciation increased from 2007 2Q, reflecting more operating days, more rigs deployed and the higher rate of depreciation for larger rigs.

Depreciation and amortization for 2008 2Q, compared to 2008 1Q, reflects the lower number of operating days in the second quarter.

Stock-based Compensation

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Stock-based compensation	152	144	6	300	273	10

In 2008 2Q, stock-based compensation increased from 2007 2Q when growth in Xtreme Coil's operations resulted in the board of directors granting options to purchase common shares to new employees.

For 2008 2Q, compared to 2008 1Q, stock-based compensation was unchanged.

Foreign Exchange

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Foreign exchange (gain)	184	334	(45)	(78)	314	(125)

Foreign exchange gains or losses result from a translation on Xtreme Coil's United States dollar net working capital. In 2008 2Q, the reduction in foreign exchange loss was primarily attributable to decreased fluctuation of the foreign exchange rate when compared to 2007 2Q.

The foreign exchange loss in 2008 2Q, compared to the gain in 2008 1Q, reflects Xtreme Coil's ongoing currency rate exposure. As Xtreme Coil's operations grow and mature, we expect to generate the majority of cash flow in United States funds, while most cash requirements could require settlement in Canadian funds as we continue drilling rig construction.

Loss on Repurchase of Equipment

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Loss on repurchase of equipment	482	—	—	—	—	—

During 2008 1Q, Xtreme Coil realized a gain on the sale of a new drilling rig and related equipment to the joint venture. In the second quarter Xtreme Coil purchased the joint venture partner's 49 percent interest in the joint venture, thus reversing the gain recorded in the first quarter.

Interest Expense and Income

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Interest expense	495	48	931	1,099	95	1,057
Interest income	(8)	(296)	(97)	(16)	(597)	(97)
Net interest expense (income)	487	(248)	(296)	1,083	(502)	(315)

During 2008 2Q, Xtreme Coil continued to draw down the \$70 million revolving credit facility as well as the \$15 million operating line. We used the facilities to continue drilling rig construction as well as to provide cash for ongoing operating requirements. During 2007 2Q, Xtreme Coil had a cash surplus which generated interest income.

The decrease in net interest expense for 2008 2Q (2008 1Q – \$595) reflects reduced borrowing due to a private placement of equity in 2008 2Q. Xtreme Coil continued to drawdown credit facilities following the equity financing to continue rig construction.

Loss Before Tax

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Loss before tax	(2,119)	(1,467)	44	(1,587)	(2,211)	28

For 2008 2Q, compared to 2007 2Q, loss before tax was positively affected by an improved gross margin, but negatively impacted primarily by three differences: increased depreciation associated with the larger fleet of equipment, loss on the repurchase of equipment, and a shift from interest income to interest expense.

Compared to 2008 1Q, the 2008 2Q loss before tax reflects reduced gross margin from lower activity levels and the loss on repurchase of equipment.

Income Taxes

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Income tax recovery	578	323	79	542	550	(2)

In the three months ended June 30, 2008 income tax recovery increased from the same period in the previous year in proportion to the loss before tax. For the comparative six month periods, a rate adjustment in 2007 created a lower recovery.

Net Loss

	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Net loss	(1,541)	(1,144)	35	(1,045)	(1,661)	37

Financial Condition, Liquidity and Capital Resources

(\$ million)	2008 Jun 30	2007 Dec 31	% Change
Cash balance	9.6	4	2,411
Working capital (deficit)	11.0	(10.0)	210
Long-term liabilities	33.5	30.0	12

Capital Expenditures and Commitments

(\$ million)	Three months ended			Six months ended		
	2008 Jun 30	2007 Jun 30	% Change	2008 Jun 30	2007 Jun 30	% Change
Capital expenditures	15.1	37.2	(59)	26.1	60.9	(57)
Commitments	10.7	25.9	(59)	10.7	25.9	(59)

In 2008 2Q, investment in fixed assets was primarily for continued construction of drilling rigs. Xtreme Coil's rig build program increased in 2008 2Q from 2008 1Q as we received additional financing and prepared rigs for deployment into Mexico.

For 2008 2Q, compared to 2008 1Q, capital expenditures increased to \$15.1 million from \$11.0 million, and commitments reduced to \$10.7 million from \$12.8 million.

During 2008 2Q, pursuant to entering into long-term contracts in the Chicontepec region of Mexico for at least four COTD™ drilling rigs, the board of directors approved a \$12.1 million increase to Phase 1 of Xtreme Coil's capital budget of \$34 million. To complete the announced eighteen rig program, we estimate requiring an additional \$20 million. Xtreme Coil will reinvest cash flow to fund capital requirements. Management continues to monitor the timing of commitments and payments for our capital expansion program.

During 2008 2Q, Xtreme Coil entered into an agreement for new credit facilities with our existing lender and another lender on a syndicated basis. The new credit facilities include a \$15 million revolving operating line and a revolving extendible facility, initially at \$70 million to be reduced to \$60 million by December 31, 2008. The credit facilities require Xtreme Coil to maintain certain financial covenants. At June 30, 2008, Xtreme Coil was not in compliance with the interest coverage covenant. The syndicate provided a waiver in regards to the covenant non-compliance. Xtreme Coil expects to meet its covenant requirements in 2008 3Q.

In January 2008, Xtreme Coil announced the sale of an XTC 200DT^{Plus} rig to Coil-X Drilling Systems Corporation ("Coil-X") and Xtreme Coil's joint venture partner loaned \$8 million in cash to Coil-X which Coil-X paid to Xtreme Coil as partial consideration for the purchase of the rig. In May 2008, Xtreme Coil closed the acquisition of the Coil-X joint venture. As part of the transaction, the \$8 million of Coil-X debt was repaid by issuing common shares from Xtreme Coil.

This table summarizes Xtreme Coil's contractual obligations as at June 30, 2008.

Payments due by period

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years
Capital lease obligations	111	78	33	–
Operating leases	526	195	311	20
Revolving credit facility	34,000	–	–	34,000
Commitments	10,700	10,700	–	–
Total contractual obligations	45,337	10,973	344	34,020

In June 2008, Xtreme Coil's entered into an agreement for new credit facilities, extending our revolving facility until June 2009. No revolving debt payments are required within one year.

Segmented Information

For the three and six months ended June 30, this table summarizes results of operations for Xtreme Coil's two geographic operating segments of Canada and the United States.

	Three Months ended 2008 Jun 30			Three Months ended 2007 Jun 30		
	Canada	United States	Total	Canada	United States	Total
Revenue	36	10,491	10,527	132	5,284	5,416
Operating days	3	470	473	8	272	280
Revenue (per day)	12.0	22.3	22.3	16.5	19.4	19.3
	Six months ended 2008 Jun 30			Six months ended 2007 Jun 30		
	Canada	United States	Total	Canada	United States	Total
Revenue	2,477	20,385	22,862	1,578	8,627	10,205
Operating days	126	926	1,052	72	443	515
Revenue (per day)	19.7	22.0	21.7	21.9	19.5	19.8

Outstanding Common Shares

	2008 Jun 30	2007 Dec 31	% Change
Common shares, beginning of period	33,965,407	27,723,625	23
Private placement	5,872,896	5,360,000	–
Warrants exercised	666,666	666,667	–
Agent options exercised	–	6,315	–
Options exercised	11,200	208,800	(95)
Common shares issued	6,550,762	6,241,782	5
Common shares, end of period	40,516,169	33,965,407	19

As at June 30, 2008, Xtreme Coil had outstanding 2,029,000 (2007 2Q – 2,146,000) options to purchase common shares at a weighted average exercise price of \$4.62 per share (2007 2Q – \$4.29).

In January 2008 the holder exercised 333,333 vested Series 1 Performance Warrants and 333,333 vested Series 2 Performance Warrants. After this transaction, no Series 1 or Series 2 Performance Warrants remain outstanding.

On May 1, 2008 Xtreme Coil and our joint venture partner completed a private placement pursuant to which our joint venture partner subscribed for 4,780,000 common shares of Xtreme Coil at a price of \$7.32 per share for aggregate gross proceeds of \$34,989,600.

In addition, Xtreme Coil completed the acquisition of the 49 percent interest held by our joint venture partner in Coil-X, including their outstanding loan to Coil-X, by the issuance of 1,092,896 common shares of Xtreme Coil at a price of \$7.32 per common share, 1,000,000 purchase warrants and 700,000 performance warrants. Each whole warrant will entitle our joint venture partner (once vested in the case of the performance warrants) to purchase one common share of Xtreme Coil for \$9.87 for a period of 24 months following the date of closing of the transaction.

Previously, the Coil-X joint venture partner held 2,092,574 warrants. On closing the purchase of the joint venture partner's interest, these warrants were cancelled.

Share capital on August 7, 2008 was \$207.2 million (40,516,169 common shares). The aggregate effect of adding the previously described options and warrants would increase Xtreme Coil's outstanding common shares to 44,245,169.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") 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, evaluations of the design and operating effectiveness of DC&P and the design effectiveness of ICFR were carried out under their supervision as of June 30, 2008.

Based on these evaluations, the CEO and CFO have concluded that Xtreme Coil's DC&P 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. They have also concluded that Xtreme Coil's ICFR is designed effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

No change to the company'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 believes the non-GAAP measures provide useful supplemental information to investors. 'Operating days', 'utilization', 'gross margin' and 'EBITDA' do not have a standardized meaning prescribed by GAAP. Xtreme Coil's method of calculating operating days, rig utilization, gross margin and EBITDA may differ from methods used by other companies and may not be comparable to measures used by them.

Operating Days

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

Rig Utilization

Xtreme Coil calculates rig utilization as operating days divided by total days after drilling rigs commence initial field operations.

Gross Margin

Gross margin represents the revenue minus operating expenses. Management believes that gross margin is a useful supplemental measure of the financial performance of our principal business activities before considering how the activities are financed or taxed, as well as other costs that are not closely associated with activity levels.

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. Management believes that EBITDA is a useful supplemental measure of the financial performance of Xtreme Coil's principal business activities before considering how the activities are financed or taxed, and before the impact of stock-based compensation, foreign exchange rate fluctuations or sales of equipment.

Critical Accounting Policies and Estimates

Management has used accounting policies in the preparation of the accompanying unaudited interim consolidated financial statements that are consistent with those used in Xtreme Coil's 2007 audited annual consolidated financial statements and described in Note 2 therein, except for the changes in accounting policies described below.

The preparation of financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the results of operation 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. There have been no material changes to critical accounting estimates as described in Xtreme Coil's 2007 annual report.

New accounting policies adopted

– Goodwill

Goodwill represents the excess of the purchase price over the fair value of the 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.

– Financial instruments – recognition and measurement

Long-term debt is recognized at fair value net of transaction costs directly attributable to the issuance of the debt. Transaction cost capitalized as a portion of long-term debt will be amortized using the effective interest method over the life of the debt.

New accounting standards adopted

The Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards: section 1535, *Capital Disclosures*; sections 3862 and 3863, *Financial Instruments – Disclosures and Presentation*; and section 3031, *Inventories*. Xtreme Coil has adopted these new standards effective January 1, 2008.

Section 1535, *Capital Disclosures*, establishes disclosure requirements related to an entity's capital and how it is managed. The purpose is to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital as further discussed in Note 12. This standard had no impact on the classification or measurement of the Company's consolidated financial statements.

Sections 3862 and 3863, *Financial Instruments – Disclosure and Presentation*, revise and enhance its disclosure requirements, and carrying forward, unchanged, its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks as discussed further in Note 9. These standards had no impact on the classification or measurement of Xtreme Coil's consolidated financial statements.

Section 3031, *Inventories* provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The new standard requires additional disclosures in relation to inventories carried at net realizable value, the amount of inventories recognized as an expense, and the amount of any write-downs of inventories. There was no impact on the valuation of Xtreme Coil's inventory as at January 1, 2008 or on the net income for the current or prior periods. The reader is referred to Note 4.

New accounting pronouncements

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 intangibles assets subsequent to the initial recognition. This new standard is applicable to fiscal years after October 2008. Xtreme Coil will adopt this standard on January 1, 2009 and is in the process of evaluating disclosure and presentation requirements of the new standard.

Seasonality of Operations

Drilling operations in most of Canada are subject to seasonal weather conditions that restrict drilling operations. Particularly in Canada, movement of heavy equipment depends on the ground freezing to support the weight of the equipment. As the ground thaws in spring, road bans placed on many roads prevent heavy equipment from moving until the ground is dry enough to support the loads. This period of low activity is commonly called "spring break-up". The timing and duration of freezing and spring break-up can affect Xtreme Coil's activity levels and operating results.

In many areas of the United States, drilling operations are less subject to weather constraints but may be restricted for other reasons. Some areas are subject to environmental stipulations on leases which prevent drilling activity during certain periods when authorities prioritize wildlife or habitat protection. These restrictions may also affect our activity levels and operating results.

Business Risks and Uncertainties

A number of risks and uncertainties affect Xtreme Coil's operations. Although Xtreme Coil 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.

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

Xtreme Coil accounts for, and reports all, activities in Canadian dollars. Certain contracts are denominated in United States dollars and the rates of exchange to the Canadian dollar fluctuate. This foreign exchange risk may create gains or losses which have an effect on Xtreme Coil's financial results.

Integral to Xtreme Coil's equipment are certain technologies which require proving in actual field operations. We cannot assure the effectiveness of these technologies in field operations. Competing technologies could prove more effective than those developed and used by Xtreme Coil. In addition, patents applied-for may not be issued.

Management's ability to expand contracted drilling and related services depends on attracting qualified personnel as needed. Demand is high for skilled oilfield employees and supply is limited. 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 cash flows.

In addition, demand for Xtreme Coil's coiled tubing drilling services is largely dependent on the level of oil and natural gas industry activity in North America. Numerous factors over which Xtreme Coil 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, as well as fuel and environmental conservation.

Outlook

Xtreme Coil's business plan is focused on expanding drilling operations. Our objective is to provide our E&P customers with the advantage of cost savings associated with generally faster drilling times associated with coiled tubing. Xtreme Coil's leading-edge coiled tubing drilling technology has the potential to respond to a larger segment of crude oil and natural gas exploration and development programs in the United States, Canada and outside North America.

We continue to strengthen and extend Xtreme Coil's market applications as we prove our Coil Over Top Drive® drilling rigs can perform more efficiently and cost effectively for our E&P customers than conventional drilling rigs. Our new rigs expand the depth range of current coiled tubing drilling technology. We have designed Xtreme Coil's patented and patent-pending coiled tubing drilling rigs to drill with 3-1/2 inch coil to depths of up to 3,000 meters (approximately 10,000 feet) and as deep as 4,100 meters (approximately 14,000 feet) with jointed drill pipe. We have also had success in both vertical and directional drilling applications with coil, in both soft and hard rock drilling environments.

During 2008 2Q, we expanded marketing of long-term contracts for Xtreme Coil's drilling rigs beyond the United States and Canada by signing four new long-term contracts for new drilling rigs that we will deploy to, and can operate in, México up to 365 days per year. These four contracts extend our long-term commitments to ten rigs. Further, Xtreme Coil has signed a letter of intent with the same customer stating their intent to contract a fifth rig in due course. Xtreme Coil has in place previous long-term contracts for six rigs with two major E&P companies in the United States. Contract negotiations with existing and potential new customers are ongoing.

Currently, Xtreme Coil has 13 Coil Over Top Drive® rigs available and operating. While we generally expect improved operating results during the next two quarters, costs of establishing operations and infrastructure in Houston and México will require set-up costs. In the United States, gaps in drilling activity may occur when certain rigs operate under shorter term contracts. In Canada, our rigs have been operating at full capacity since early in 2008 3Q.

As Xtreme Coil successfully negotiates new contracts, we are prepared to build additional Coil Over Top Drive® drilling rigs. We are pursuing further long-term opportunities intended to increase our critical mass in current and new operating areas. We anticipate Xtreme Coil's future expenses, particularly SG&A, will increase marginally as we maintain and expand our effort to establish operations in new markets. We expect these efforts will require additional key personnel in our organization.

Additional Information

Information relating to Xtreme Coil 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), visit Xtreme Coil's website www.xtremecoildrilling.com or e-mail ir@xtremecoil.com.

Consolidated Balance Sheets

(\$ thousand)

<i>(unaudited)</i>	2008 Jun 30	2007 Dec 31
Assets		
Current assets		
Cash and cash equivalents	\$ 9,616	\$ 383
Accounts receivable	13,886	13,039
Prepaid expenses	942	1,311
Inventory <i>(note 4)</i>	329	335
	24,773	15,068
Future income tax	5,817	4,530
Equipment <i>(note 5)</i>	211,948	188,913
Goodwill <i>(note 8)</i>	1,630	-
Intangible assets <i>(note 6)</i>	4,875	4,953
	\$ 249,043	\$ 213,464
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	13,724	19,877
Current portion of obligations under capital leases	78	78
Current portion of long-term debt <i>(note 7b)</i>	-	5,104
	13,802	25,059
Long-term liabilities		
Obligations under capital leases	33	73
Long-term debt, net of financing cost <i>(note 7b)</i>	33,420	29,896
	47,255	55,028
Shareholders' Equity		
Share capital <i>(note 9)</i>	206,930	162,514
Warrants <i>(note 8)</i>	1,630	1,235
Contributed surplus <i>(note 9a)</i>	2,652	3,066
Deficit	(9,424)	(8,379)
	201,788	158,436
	\$ 249,043	\$ 213,464

Commitments *(note 11)*

See accompanying notes to the consolidated financial statements

On behalf of the board of directors,

Signed "Marc Staniloff"
Director

Signed "David Tuer"
Director

Consolidated Statement of Operations, Comprehensive Loss and Deficit

(\$ thousand except share and per share data)

<i>(unaudited)</i>	Three Months ended 2008 Jun 30	Three Months ended 2007 Jun 30	Six Months ended 2008 Jun 30	Six Months ended 2007 Jun 30
Revenue	\$ 10,527	\$ 5,416	\$ 22,862	\$ 10,205
Expenses				
Operating expenses	8,614	5,043	17,527	9,187
Selling, general and administrative	1,198	937	2,366	2,038
Depreciation of capital assets	1,461	608	3,117	1,001
Amortization of intangibles	67	65	134	105
Stock-based compensation	152	144	300	273
Foreign exchange loss (gain)	184	334	(78)	314
Loss on repurchase of equipment	482	-	-	-
Interest on long-term debt and capital leases	495	48	1,099	95
Interest (income)	(8)	(296)	(16)	(597)
Net loss before tax	(2,119)	(1,467)	(1,587)	(2,211)
Future tax recovery	578	323	542	550
Net loss for the period	(1,541)	(1,144)	(1,045)	(1,661)
Other comprehensive loss	-	-	-	-
Comprehensive loss	(1,541)	(1,144)	(1,045)	(1,661)
Deficit, beginning of period	(7,883)	(5,693)	(8,379)	(5,176)
Deficit, end of period	\$ (9,424)	(6,837)	\$ (9,424)	(6,837)
Net loss per common share - basic and diluted	\$ (0.04)	\$ (0.03)	\$ (0.03)	\$ (0.05)
Weighted average number of common shares - basic and diluted <i>(note 9d)</i>	38,515,512	33,753,831	36,493,944	32,172,697

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

(\$ thousand except share and per share data)

<i>(unaudited)</i>	Three Months ended 2008 Jun 30	Three Months ended 2007 Jun 30	Six Months ended 2008 Jun 30	Six Months ended 2007 Jun 30
Cash provided by (used in) operating activities				
Net loss for the period	\$ (1,541)	\$ (1,144)	\$ (1,045)	\$ (1,661)
Items not affecting cash:				
Depreciation and amortization	1,527	673	3,251	1,106
Stock-based compensation	152	144	300	273
Loss on repurchase of equipment	482	-	-	-
Amortization of financing cost	53	-	53	-
Unrealized foreign exchange loss	65	55	-	62
Future income tax	(578)	(323)	(542)	(550)
	160	(595)	2,017	(770)
Changes in non-cash operating working capital	1,684	1,027	(71)	566
	1,844	432	1,946	(204)
Financing activities				
Proceeds from shares issued	34,990	29	35,030	56,315
Share issue costs	(848)	-	(848)	(3,440)
Proceeds from other long-term liabilities	-	-	4,080	-
Repayment of long-term debt	(10,580)	-	(1,580)	-
Capital lease payments	(20)	(7)	(40)	(26)
	23,542	22	36,642	52,849
Investing activities				
Acquisition of equipment	(15,139)	(37,181)	(26,103)	(60,946)
Proceeds from sale of equipment to the joint venture	-	-	5,873	-
Increase in intangibles	(37)	(53)	(56)	(82)
Changes in non-cash working capital relating to capital items	(1,221)	7,252	(9,069)	1,908
	(16,397)	(29,982)	(29,355)	(59,120)
Increase (decrease) in cash and cash equivalents during the year	8,989	(29,528)	9,233	(6,476)
Cash and cash equivalents, beginning of period	627	\$ 39,793	383	\$ 16,740
Cash and cash equivalents, end of period	\$ 9,616	\$ 10,265	\$ 9,616	\$ 10,265
Supplemental disclosure of cash flow information				
Interest received	\$ 8	\$ 316	\$ 17	\$ 592
Interest paid	443	47	1,047	94
Income tax paid	-	-	-	-
Non-cash transactions				
Purchase of patents in exchange for warrants	-	-	-	\$ 2,990
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

For the three and six months ended June 30, 2008

(\$ thousand, except where noted and share and per share data)

1. Nature of operations

Xtreme Coil Drilling Corp. ("Xtreme Coil") 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[®] ("COTD[™]") drilling rigs, Xtreme Coil contracts drilling services to oil and natural gas exploration and development companies in both Canada and the United States. Xtreme Coil's head office is in Calgary, Alberta, Canada. The Corporation has field offices in Casper and Cheyenne, Wyoming, United States and is establishing offices in Houston, Texas, United States and in Poza Rica, Veracruz, México.

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 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. These interim statements for the six months ended June 30, 2008 follow the same accounting policies and methods as the most recent consolidated financial statements ("annual statements"), except as noted below. 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, 2007.

– Goodwill

Goodwill represents the excess of the purchase price over the fair value of the 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.

– Financial instruments – recognition and measurement

Long-term debt is recognized at fair value net of transaction costs directly attributable to the issuance of the debt. Transaction cost capitalized as a portion of long-term debt will be amortized using the effective interest method over the life of the debt.

3. Changes in accounting policies

The Canadian Institute of Chartered Accountants (CICA) issued three new accounting standards: section 1535, *Capital Disclosures*, sections 3862 and 3863, *Financial Instruments – Disclosures and Presentation*, and section 3031, *Inventories*. Xtreme Coil has adopted these new standards effective January 1, 2008.

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose is to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital as further discussed. (see note 12 – Capital management). This standard had no impact on the classification or measurement of the Company's consolidated financial statements.

Sections 3862 and 3863, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward, unchanged, its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks as discussed further. (see note 8 – Joint venture) These standards had no impact on the classification or measurement of Xtreme Coil's consolidated financial statements.

Section 3031 provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The new standard requires additional disclosures in relation to inventories carried at net realizable value, the amount of inventories recognized as an expense, and the amount of any write downs of inventories. There was no impact on the valuation of inventory as at January 1, 2008 or on the net income for the current or prior periods. (see note 4 – Inventory)

Xtreme Coil Drilling Corp.

Notes to the unaudited Consolidated Financial Statements
For the three and six months ended June 30, 2008

(\$ thousand, except where noted and share and per share data)

3. Changes in accounting policies (continued)

– 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. This new standard is applicable to fiscal years after October 2008. Xtreme Coil will adopt this standard on January 1, 2009 and is in the process of evaluating disclosure and presentation requirements of the new standards.

4. Inventory

	2008 Jun 30	2007 Dec 31
Coil inventory	\$ 329	\$ 335

Coil inventory is carried at the lower of cost or net realizable value and is determined on a specific item basis. Cost includes the purchase cost plus transportation and handling.

The amount of inventory recognized as an expense in operating expenses during 2008 2Q was \$2 (2007 2Q - \$14).

5. Equipment

	2008 Jun 30			2007 Dec 31	
	Cost	Accumulated Amortization	Net book value	Net book value	
Office and shop equipment	\$ 1,966	\$ 492	\$ 1,474	\$ 1,366	
Leasehold improvements	66	30	36	42	
Vehicles	1,170	346	824	643	
Trucking equipment	3,441	546	2,895	2,999	
Drilling equipment	123,530	5,705	117,825	107,588	
Drilling equipment – construction in progress	88,894	–	88,894	76,275	
	\$ 219,067	\$ 7,119	\$ 211,948	\$ 188,913	

Xtreme Coil operates Coil Over Top Drive[®] drilling rigs under contract and is currently building more drilling rigs under contract with third parties. We depreciate drilling rigs from the time the rigs commence operations.

6. Intangible assets

	2008 Jun 30			2007 Dec 31	
	Cost	Accumulated amortization	Net book value	Net book value	
Patents	\$ 5,397	\$ 522	\$ 4,875	\$ 4,953	

The United States Patent and Trademark office has now issued three patents to Xtreme Coil and has notified the Corporation that issuance of a fourth patent will occur in July 2008. The third patent was issued in June 2008 and the previous two patents were issued in 2007 1Q.

7. 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, 2008, Xtreme Coil was not in compliance with the covenants. The syndicate provided a waiver in regards to the covenant non-compliance for the current quarter.

a. Operating facility

Xtreme Coil has a \$15 million operating loan facility. The facility bears interest at the bank's prime rate plus 1.00 percent and is secured by accounts receivable. In 2008 2Q, the effective average interest rate was 5.9 percent. The facility was not used in 2007 2Q.

Xtreme Coil Drilling Corp.

Notes to the unaudited Consolidated Financial Statements

For the three and six months ended June 30, 2008

(\$ thousand, except where noted and share and per share data)

7. Credit facilities (continued)

b. Long-term debt, net of financing cost

	2008 Jun 30	2007 Dec 31
Revolving credit facility	\$ 34,000	\$ 35,000
Less: current portion of long-term debt	-	(5,104)
	\$ 34,000	\$ 29,896
Less : financing cost related to long term debt	(580)	-
	\$ 33,420	\$ 29,896

Xtreme Coil has \$70 million committed 364-day extendible revolving credit facility that reduces to \$60 million by December 31, 2008. 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 quarterly over a period of three years if not extended. The extendible revolving facility bears interest at the bank's prime rate plus up to 1.50 percent. The weighted average interest rate during 2008 2Q was approximately 6.2 percent (2007 2Q – nil). If not extended, the term loan bears interest at the bank's prime rate plus up to 1.50 percent. A standby fee of up to 0.50 percent per annum applies to the unutilized portion of the facility. The facility is secured by a general security agreement over all present and future assets, excluding Xtreme Coil's intellectual property.

At June 30, 2008, none (2007 Dec 31 – \$5,104) 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 if the bank did not renew the facility. Interest expense on the revolving credit facility during 2008 2Q was \$344 (2007 2Q – \$44) (see note 10 – Financial instruments).

8. Purchase of joint venture

On May 1, 2008, Xtreme Coil completed the acquisition of our joint venture partner's 49 percent interest in Coil-X, including the partner's outstanding loan to Coil-X, which was paid by the issuance of 1,092,896 common shares of Xtreme Coil at a price of \$7.32 per common share for gross proceeds of \$8 million, 1,000,000 purchase warrants and 700,000 performance warrants. Each whole warrant entitles the joint venture partner (once vested, in the case of the performance warrants) to purchase one common share of Xtreme Coil for \$9.87 for a period of 24 months following the date of closing of the transaction.

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

	2008 Jun 30
Current assets	\$ 47
Equipment	5,873
Future income taxes	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 million were allocated to the purchase consideration above of \$3,920 and repayment of the loan to Coil-X of \$4,080.

Xtreme Coil Drilling Corp.

Notes to the unaudited Consolidated Financial Statements

For the three and six months ended June 30, 2008

(\$ thousand, except where noted and share and per share data)

9. 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.

	2008 Jun 30		2007 Dec 31	
	Number	Amount	Number	Amount
Balance before receivable from shareholder, beginning of period	33,965,407	\$ 162,814	27,723,625	\$ 106,213
Private placement for cash, net of issue cost	4,780,000	34,142	5,360,000	52,840
Private placement for purchase of joint venture	1,092,896	8,000	-	-
Performance warrants exercised	666,666	2,000	666,667	2,000
Agent options exercised	-	-	6,315	29
Employee options exercised	11,200	37	208,800	696
Future income tax effect of common shares issue cost at expected tax rates	-	237	-	1,036
	6,550,762	44,416	6,241,782	56,601
Balance before receivable from shareholder, end of period	40,516,169	207,230	33,965,407	162,814
Receivable from shareholder	-	(300)	-	(300)
Balance, end of period	40,516,169	\$ 206,930	33,965,407	\$ 162,514

a. Private placement

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 \$848 resulted in net proceeds of \$34,142.

Also 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 (see note 8).

b. Contributed surplus

	2008 Jun 30	2007 Dec 31
Contributed surplus - opening balance	\$ 3,066	\$ 1,478
Stock-based compensation	348	662
Warrants cancelled on purchase of JV	1,235	-
Warrants vested upon patent issuance	-	2,990
Contributed surplus transferred on exercise of options and warrants	(1,997)	(2,064)
Contributed surplus - ending balance	\$ 2,652	\$ 3,066

c. Stock options outstanding

Xtreme Coil has established a Stock Option Plan (the "Plan") for directors, officers, employees and consultants to grant options to purchase common shares up to a maximum of 10 percent of issued and outstanding common shares. The board of directors sets the number of options and exercise price thereof at the time of options grant, provided such exercise price shall not be less than that permitted from time to time under the rules of any stock exchange or exchanges on which Xtreme Coil's common shares may be listed. Options to purchase common shares 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 on the one year anniversary of the grant.

During 2008 2Q, the board of directors approved the granting of 18,000 options at an exercise price of \$7.54. As of June 30, 2008, a total of 2,029,000 (2007 - 2,146,000) options were outstanding. During the three months ended June 30, 2008, a compensation expense of \$150 (2007 - \$144) relating to these options was recognized as part of stock-based compensation expense and credited to contributed surplus.

Xtreme Coil Drilling Corp.

Notes to the unaudited Consolidated Financial Statements
For the three and six months ended June 30, 2008

(\$ thousand, except where noted and share and per share data)

9. Share capital (continued)

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 no dividends are paid on common shares, a risk-free interest rate ranging from 3.1 to 4.6 percent, an average life of 3.0 years and an expected volatility ranging from zero (when private) 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.

This table summarizes the status of Xtreme Coil's Stock Option Plan at June 30, 2008.

	2008 Jun 30		2007 Dec 31	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	2,012,200	\$ 4.60	2,085,316	\$ 4.09
Granted	113,000	7.57	187,000	9.91
Exercised	(11,200)	3.00	(215,115)	3.04
Expired/cancelled	(85,000)	8.53	(45,001)	10.09
Outstanding, end of period	2,029,000	4.62	2,012,200	4.60
Options exercisable, end of period	1,115,527	\$ 3.96	1,020,866	3.74
	Options outstanding		Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Number exercisable	Weighted average exercise price
\$3.00 - \$ 4.50	1,525,000	2.1 yrs	961,196	\$ 3.10
\$7.00 - \$10.50	366,500	3.8 yrs	99,332	7.81
\$10.51 - \$13.52	137,500	3.3 yrs	54,999	11.99
	2,029,000	2.5 yrs	1,115,527	\$ 3.96

d. Performance warrants

As part of the private placement in June 2005, Xtreme Coil issued 1,000,000 Series 1 and 1,000,000 Series 2 Performance Warrants to one officer and two directors. Each performance warrant entitles the holder to purchase one common share at a defined strike price of \$0.01 per common share. On January 22, 2008 a total of 333,333 Series 1 Performance Warrants and 333,333 Series 2 Performance Warrants were exercised, leaving no Series 1 or Series 2 Performance Warrants outstanding.

The joint venture partner held 2,092,574 warrants. Each warrant, once vested, entitles the holder to acquire one additional common share at an exercise price of \$16.00 per share. On closing of the purchase of the joint venture (see note 8) these warrants were cancelled.

On May 1, 2008, the Corporation issued to our joint venture partner 1,000,000 purchase warrants and 700,000 performance warrants. Each warrant, once vested, entitled the holder to acquire one additional common share at an exercise price of \$9.87 per share. All unexercised warrants expire on May 1, 2010. The fair value allocated to the purchase warrants using the Black-Scholes option pricing model is \$1,630. The assumptions used in the model are, a risk-free interest rate of 2.75 percent, an average life of 2.0 years and an expected volatility of 40 percent. The performance warrant holder is required to contract a specified number of rigs before the warrants are exercisable and therefore no value was allocated to the performance warrants.

Xtreme Coil Drilling Corp.

Notes to the unaudited Consolidated Financial Statements

For the three and six months ended June 30, 2008

(\$ thousand, except where noted and share and per share data)

9. Share capital (continued)

e. Diluted earnings per share

Common shares potentially issuable in exchange for stock 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 that any proceeds obtained on the exercise of stock options is used to purchase common shares at the average price for the year. Due to the net loss in 2008 2Q computation of diluted earnings per share are not included as to do so would be anti-dilutive.

10. Financial instruments

Fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

Foreign exchange risk

Xtreme Coil is exposed to risk from fluctuations in foreign currency exchange rates as it operates rigs in the United States ("US") and therefore translates revenue and expenses that are denominated in US dollars into Canadian dollars during the period. In addition US monetary assets and liabilities are translated at the current rate at the balance sheet date, any foreign exchange gains and losses are included in income. During the second quarter a currency exchange fluctuation of one percent would have an effect of approximately \$75 foreign exchange gain or loss before tax.

Interest rate risk

Xtreme Coil is exposed to interest rate risk to the extent the changes in market interest rates can impact operating and revolving debt facilities which have a floating interest rate. In 2008 2Q, an increase or decrease of one percent in the effective interest rate would change net income by approximately \$81.

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 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 in that the majority of its accounts receivable balances are with a small group of customers. (see note 13 – Segmented information)

Liquidity risk

Liquidity risk relates to risks Xtreme Coil may encounter in meeting obligations associated with financial liabilities and commitments. Since inception, Xtreme Coil has entered into debt and equity financing arrangements sufficient to complete the planned rig build program and to fund working capital requirements. Xtreme Coil anticipates the current level of financial capacity will be sufficient to finish the current rig build program and to fund any working capital deficiencies that arise while expanding the rig fleet.

11. Commitments

Xtreme Coil has commitments to suppliers with respect to contracts for the construction of Coil Over Top Drive[®] drilling rigs in the amount of \$10.7 million which these consolidated financial statements do not reflect.

Xtreme Coil Drilling Corp.

Notes to the unaudited Consolidated Financial Statements
For the three and six months ended June 30, 2008

(\$ thousand, except where noted and share and per share data)

12. 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 the 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 is unchanged from previous periods.

	2008 Jun 30	2007 Dec 31
Shareholders' equity	\$ 201,788	\$ 158,436
Long-term debt	33,420	35,000
Less: cash and cash equivalents	(9,616)	(383)
Capital under management	\$ 225,592	\$ 193,053
Net debt as a percentage of capital under management	10.5	17.9
Net debt to equity ratio	0.1:1	0.2:1

Xtreme Coil is subject to externally imposed minimum capital requirements relating to existing bank credit facilities. During 2008 2Q, Xtreme Coil has exceeded these minimum requirements.

13. Segmented information

Xtreme Coil provides contract drilling services in the United States and Canada. The table below segments information by geographic area.

Equipment	2008 Jun 30	2007 Dec 31
Canada	\$ 108,894	\$ 95,460
United States	103,054	93,453
Total	\$ 211,948	\$ 188,913

	Three months ended 2008 Jun 30	Three months ended 2007 Jun 30	Six months ended 2008 Jun 30	Six months ended 2007 Jun 30
Revenue				
Canada	\$ 36	\$ 132	\$ 2,477	\$ 1,578
United States	10,491	5,284	20,385	8,627
Total	\$ 10,527	\$ 5,416	\$ 22,862	\$ 10,205

Canadian property and equipment includes construction in progress. When completed, Xtreme Coil will transfer most of this equipment to operations in the United States and Mexico. Two customers of Xtreme Coil's drilling operations represent 2008 year-to-date revenue of \$17.6 million (2007 – three customers – \$10.1 million).

Canadian drilling operations are seasonal in nature and are impacted by weather conditions that restrict the ability to access locations or move heavy equipment. The lowest activity levels are experienced during the second quarter of the year when road weight restrictions are in place and access to well sites in Canada is reduced.

Reader Advisory

The information in this report to shareholders may include certain information and statements about management's view of future events, expectations, plans and prospects that constitute forward-looking statements, including outcomes related to long-term contracts, joint ventures, other projects, equity financings and use of proceeds. Assumptions which are subject to significant risks and uncertainties are the basis for these forward-looking statements. Risks and uncertainties result from a variety of factors and actual results, expectations, achievements or performance may differ materially from those anticipated and indicated by these forward-looking statements. Although Xtreme Coil believes that expectations reflected in these forward-looking statements are reasonable, we can give no assurances that the expectations of these forward-looking statements will prove correct. Xtreme Coil cautions readers that actual timing and results may vary materially from these forward-looking statements and that such financial outlook information contained in this report should not be used for purposes other than for which it is disclosed herein. Xtreme Coil disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise, except as required pursuant to applicable securities laws.

Corporate Profile

Xtreme Coil develops and applies leading edge patented and patent-pending technology and designs to build, transport, and operate new Coil Over Top Drive® ("COTD™") drilling rigs. These innovative and efficient drilling rigs, which Xtreme Coil contracts in the United States, Canada and outside North America, drill using larger coil to reach hydrocarbons in deeper horizons. Xtreme Coil's proprietary technology also features modular transportation units, larger injectors, larger drilling rigs and new methods for achieving deeper, faster and safer drilling. Xtreme Coil's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "XDC".



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Corporate information

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Calgary, AB

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

Peter J. Sharpe
Vice President Technical, Wells
Shell International Exploration
and Production B.V.
The Hague, The Netherlands

Marc L. Staniloff^{2,3,4}
Chairman
and Chief Executive Officer
Superior Lodging Corp.
Calgary, AB

*Kyle W. Swingle*⁵
Chief Operating Officer
Xtreme Coil Drilling Corp.
Long Tree, CO, USA

David A. Tuer^{2,3,4}
Vice Chairman
and Chief Executive Officer
Marble Point Energy Ltd.

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

Management

Tom Wood
Chief Executive Officer

Rod Uchytel
President

Kyle Swingle
Chief Operating Officer

Vic Fitch
Chief Financial Officer

Richard Havinga
Vice President
Engineering and Design

Carl Jon Bengé
Vice President, Sales and Marketing

Ann Beattie
Corporate Secretary
Corporate and Investor Communication

Scott Hennenfent
Corporate Controller

Chris Brezik
General Manager, Sales
United States Rocky Mountain Region

Tony Fox
Executive Account Manager

Chris White
Manager
United States Operations

Reg Layden
Manager, Operations
Canada, Texas and International

Auditors

PricewaterhouseCoopers LLP
Calgary, AB

Bank

HSBC Bank Canada
Calgary, AB

Solicitors

Stikeman Elliott LLP
Calgary, AB

Stock Exchange and Symbol

TSX, "XDC"

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Joint Venture

Coil-X Drilling Systems Limited

Calgary, Alberta

Shareholders and other interested individuals can view current public information about Xtreme Coil at www.xtremecoildrilling.com which has historical information, shareholder reports, press releases, the current corporate presentation, as well as trading and contact information.

Corporate and Investor Relations

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¹ Chairman of the Board

² Audit Committee

³ Compensation Committee

⁴ Governance & Nominating Ctte

⁵ Health, Safety, Environment Ctte