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News Release

For Immediate Release

## Xtreme Coil Achieves Record Third Quarter EBITDA and Operating Days and Provides Update

**Calgary, Alberta (TSX: "XDC") November 12, 2009** – Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Company") announces financial and operating results for the three ("2009 3Q") and nine months ended September 30, 2009, with comparative data for the same periods in 2008 and for the year ended December 31, 2008 and provides an operations update.

### Highlights

- record EBITDA of \$7.6 million in 2009 3Q, up 28 percent from 2008 3Q
- record gross margin of \$11.7 million in 2009 3Q, up 44 percent from 2008 3Q
- record operating days at 1,022 in 2009 3Q, up 8 percent from 2008 3Q
- at September 30, 2009 13 rigs operating
- completed XTC 200 DTR<sup>PLUS</sup> rig for re-entry drilling

In 2009 3Q, Xtreme Coil reported record EBITDA of \$7.6 million, record gross margin of \$11.7 million and a record 1,022 operating days. The improvement in EBITDA and gross margin over the previous quarter was primarily a result of increased operating days in Mexico, where the two rigs that commenced operations late in 2009 2Q enjoyed a full quarter of operations during 2009 3Q and two additional rigs, recently mobilized to Mexico under previously announced contracts, commenced operations late in 2009 3Q. Net income of \$2.7 million for 2009 3Q was also improved over the previous quarter as rig operating results and gains on foreign exchange were only partially offset by higher income taxes and SG&A.

Xtreme Coil uses both GAAP and non-GAAP measures to assess performance and provides non-GAAP measures such as EBITDA and gross margin as supplemental information to investors. EBITDA and gross margin do not have standardized meanings prescribed by GAAP. Xtreme Coil's method of defining these measures is provided in the Non-GAAP Measures section of Management's Discussion and Analysis filed annually and quarterly on SEDAR.

### Operations Update

Following the end of 2009 3Q, three rigs continue to drill in the Rocky Mountain region of the United States and ten rigs are drilling in Mexico, all under long-term contracts.



In October, Xtreme Coil completed customization work on a Coil Over Top Drive<sup>®</sup> ("COTD<sup>™</sup>") rig in south Texas to prepare it for re-entry drilling opportunities in the Middle East. On completion of the XTC 200DTR<sup>PLUS</sup> (see photo left), Xtreme Coil hosted on-site tours and rig demonstrations for industry customers and colleagues to familiarize them with this rig's design and operational attributes. The rig features an alternating current ("AC") electrically-powered 200,000 lb. Xtreme Coil injector and new functionality to allow manipulation of the injector hydraulically for connection to a live well

pressure lubricator. Modifications to the rig's mast make it capable of handling lubricator assemblies of up to 120 feet for pressure deployment of downhole tools. Also during 2009 3Q, we constructed an Xtreme Coil-designed substructure to elevate the XTC 200DTR<sup>PLUS</sup> rig above wellheads that are typical for Middle East and North Africa work scopes.

Subject to approval by Xtreme Coil's lenders, and in connection with a previously executed pre-bid agreement and letter of understanding between Xtreme Coil and a major diversified oilfield services company (the "Service Company"), Xtreme Coil intends to enter into a definitive agreement pursuant to which the Service Company will fund up to US\$5.7 million in customization costs for an XTC 200DTR<sup>PLUS</sup> drilling rig and pay for certain significant mobilization and start-up costs of deploying the rig to the Middle East upon project award. Under the terms of the proposed agreement, which is expected to be executed upon approval of Xtreme Coil's lenders and at Xtreme Coil's sole discretion, the Service Company would fund a three-year loan for up to US\$5.7 million of the customization work mentioned above, repayable exclusively out of day rate revenues generated by the XTC 200DTR<sup>PLUS</sup> drilling rig during the term of the loan, with a balloon payment due at maturity for any unpaid balance. The Service Company would have preferential access to the rig for a period of three years.

Recently, an Xtreme Coil COTD™ rig working in the Wattenberg field of the Denver-Julesburg basin surpassed its previous record drilling time by achieving "spud-to-spud" times of just over 50 hours in 8,000 foot directional wells. ("Spud-to-spud" describes the time from commencement of drilling the subject well through to positioning the rig on the next well location so that drilling can begin again.) Our customer commented recently on "technological advances" being fundamental to achieving these time and depth improvements that were not previously possible. Throughout Xtreme Coil's operations in the United States and Mexico, our day-to-day emphasis remains on operating our rigs efficiently and safely for our employees, our customers and our vendors.

During the remainder of 2009, we are committed to continuing activities that advance identified potential projects. At the same time, we are actively pursuing new business opportunities. Our objective is to introduce and deploy Xtreme Coil's innovative drilling rigs and expertise internationally, including oil and natural gas producing regions in the Middle East, North Africa, Australia and Asia.

Tom Wood  
Executive Chairman

Rod Uchytíl  
President and Chief Executive Officer

### 2009 Third Quarter Highlights

(\$ thousand, except where indicated)

|   | 2009 Sep 30 | 2008 Sep 30 | % Change |
|---|-------------|-------------|----------|
| Revenue   | 26,153      | 26,328      | (1)      |
| Gross Margin <sup>1</sup>                         | 11,736      | 8,150       | 44       |
| EBITDA <sup>1</sup>                               | 7,569       | 5,899       | 28       |
| EBITDA per share <sup>1</sup> (\$)                | 0.14        | 0.15        | (7)      |
| Net income  | 2,734       | 1,278       | 114      |
| Net income per common share - basic (\$)          | 0.05        | 0.03        | 67       |
| Weighted average common shares - basic (thousand) | 52,845      | 40,560      | 30       |
| Capital assets                                    | 244,928     | 231,392     | 6        |
| Total assets                                      | 318,948     | 279,457     | 14       |
| Operating days <sup>2</sup>                       | 1,022       | 947         | 8        |
| Rig utilization (percentage)                      | 69          | 83          | (17)     |

<sup>1</sup> see Non-GAAP measures in MD&A

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

Management for Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Company") based this MD&A on operating and financial results for the three and nine months ended September 30, 2009 and provides comparative information for the three and nine months ended September 30, 2008. Management recommends reading this discussion and analysis of Xtreme Coil's financial condition and results of operations in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2008. Management prepares the consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") and expresses all amounts in Canadian dollars ("CAD") unless otherwise stated. This MD&A is based on information available as at November 10, 2009.

**Forward-Looking Statements**

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

*These statements are based on certain factors and assumptions including, but not limited to: assessment of current and projected future operations; ongoing and future business negotiations and opportunities to enter new, continue or extend existing contracts; the availability and cost of financing; foreign currency exchange rates; timing and magnitude of capital expenditures; expenses and other variables affecting rig operating, modification and construction expenses; the ability of vendors to provide rig component equipment, services and supplies, including labor, in a cost-effective and timely manner; the issuance of applied-for patents; changes in tax rates; and government regulations. Although Xtreme Coil considers the assumptions reasonable, based on information available to management as at November 10, 2009, the assumptions may ultimately prove incorrect.*

*Forward looking-statements are also subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from management's current expectations. These factors include, but are not limited to: the cyclical nature of drilling market demand, currency exchange rates, and commodity prices; access to credit and to equity markets; the availability of qualified personnel; competition for customers from other drilling contractors, labour and vendor-provided rig components.*

*Management's assumptions included the following: continued operation of the existing fleet of drilling equipment without significant additional capital expenditures; meeting the terms of the Company's credit facility; ongoing access to key supplies required to continue operating equipment, including fuel; continued successful performance of drilling and related equipment; expectations regarding gross margin; recruitment and retention of qualified personnel; continuation or extension of existing long-term contracts; revenue expectations related to shorter-term drilling activity; willingness and ability of customers to remit amounts owing to Xtreme Coil in accordance with normal industry practices; and management of accounts receivable in direct relation to revenue generation.*

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

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

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

**Description of the Business**

Xtreme Coil is a drilling contractor that designs, builds and operates proprietary Coil Over Top Drive<sup>®</sup> ("COTD<sup>™</sup>") drilling rigs. These drilling rigs employ Xtreme Coil's patented and patent-pending coil designs and technologies. In addition to their coil drilling capabilities, these drilling rigs also have the ability to drill with conventional jointed drill pipe. The Company has historically built these dual-purpose COTD<sup>™</sup> drilling rigs in Canada under contracts with several third parties and operates them internationally under contracts with oil and natural gas exploration and production ("E&P") companies and global integrated oilfield service providers. Xtreme Coil currently conducts land drilling operations in the United States and Mexico and is actively pursuing opportunities to expand its contract drilling services within and beyond these current core regions of operation.

Xtreme Coil's head office is in Houston, Texas. Xtreme Coil also has a corporate office in Calgary, Alberta, Canada and an operations office near Poza Rica, in the state of Veracruz, Mexico.

As at September 30, 2009, Xtreme Coil held nine patents related to new technologies for drilling with coiled tubing and conventional drill pipe as well as certain rig transportation methods. The United States Patent and Trademark office has issued six patents, the Canadian Intellectual Property Office has issued two patents and jurisdictions in Eurasia have issued one patent to Xtreme Coil. In addition, Xtreme Coil has more than 60 patent-related applications in the United States, Canada and other jurisdictions. The Company's issued and applied-for patents collectively cover coiled tubing drilling and transportation technology including equipment and methods for coiled tubing drilling to depths of 3,000 meters (10,000 feet) or more with large diameter pipe and up to 9,000 meters (30,000 feet) for re-entry applications with smaller diameter pipe.

As at September 30, 2009, Xtreme Coil had ten drilling rigs working under long-term contracts with a global integrated oilfield services provider in the Chicontepec development project in the state of Veracruz, Mexico. The ten rigs working in Mexico reflect new long-term contracts executed in September 2009. Six of the rigs had been working in this project since 2008 and four additional rigs commenced operations in 2009. Two of those four rigs commenced operations in late 2009 2Q and the other two rigs commenced operations in late 2009 3Q.

In addition, the Company had another three drilling rigs working in the United States under long-term contracts with a large independent E&P company. Xtreme Coil has designed seven models of COTD<sup>™</sup> drilling rigs with five designs completed and deployed and one ready to deploy to field operations.

At September 30, 2009, of the 16 COTD<sup>™</sup> drilling rigs the Company had in service:

- ten rigs operating under long-term contracts in Mexico,
- three rigs operating under long-term contracts in the United States,
- two rigs stacked in the United States, and
- one rig undergoing customization in preparation for possible deployment from the United States to the Middle East.

Xtreme Coil's early capital plans called for the construction of 18 drilling rigs. The Company made the decision to temporarily suspend construction on the last two of these rigs in 2008 3Q when economic uncertainty significantly decreased demand in the United States drilling market. As such, in addition to the 16 drilling rigs that were completed, the Company purchased, and retains in stock, a limited number of components for the two additional drilling rigs for which construction was suspended.

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

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

**Selected Quarterly Financial Information** *(unaudited)*

**Three months ended**

|                                     | <b>2009 Sep 30</b> | <b>2009 Jun 30</b> | <b>2009 Mar 31</b> | <b>2008 Dec 31</b> |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue                             | <b>26,153</b>      | 23,052             | 22,914             | 28,924             |
| EBITDA <sup>1</sup>                 | <b>7,569</b>       | 5,379              | 6,187              | 6,539              |
| EBITDA per share <sup>1</sup> (\$)  | <b>0.14</b>        | 0.13               | 0.15               | 0.16               |
| Net income                          | <b>2,734</b>       | 1,926              | 2,379              | 2,508              |
| Net income per share (\$)           | <b>0.05</b>        | 0.05               | 0.06               | 0.06               |
| Capital assets                      | <b>244,928</b>     | 254,070            | 271,366            | 238,345            |
| Total assets                        | <b>318,948</b>     | 346,090            | 326,098            | 289,394            |
| Operating days <sup>2</sup>         | <b>1,022</b>       | 878                | 803                | 949                |
| Rig utilization <i>(percentage)</i> | <b>69</b>          | 60                 | 56                 | 68                 |
| Weighted average rigs in service    | <b>16.0</b>        | 16.0               | 16.0               | 15.2               |
| Completed rigs, end of quarter      | <b>16</b>          | 16                 | 16                 | 16                 |

|                                     | <b>2008 Sep 30</b> | <b>2008 Jun 30</b> | <b>2008 Mar 31</b> | <b>2007 Dec 31</b> |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue                             | 26,328             | 10,527             | 12,335             | 12,416             |
| EBITDA <sup>1</sup>                 | 5,899              | 715                | 2,253              | 2,237              |
| EBITDA per share <sup>1</sup> (\$)  | 0.15               | 0.02               | 0.07               | 0.07               |
| Net income (loss)                   | 1,278              | (1,541)            | 496                | (204)              |
| Net income (loss) per share (\$)    | 0.03               | (0.04)             | 0.01               | (0.01)             |
| Capital assets                      | 231,392            | 211,948            | 192,855            | 188,913            |
| Total assets                        | 279,457            | 249,043            | 219,049            | 213,464            |
| Operating days <sup>2</sup>         | 947                | 473                | 579                | 579                |
| Rig utilization <i>(percentage)</i> | 83                 | 52                 | 74                 | 77                 |
| Weighted average rigs in service    | 12.4               | 10.0               | 9.0                | 8.1                |
| Completed rigs, end of quarter      | 15                 | 12                 | 11                 | 11                 |

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

<sup>2</sup> see Non-GAAP measures

During the preceding eight quarters, Xtreme Coil's revenue, EBITDA, net income, assets and operating days have shown general improvement as the Company increased the size of its drilling rig fleet and secured long-term contracts for its rigs, though favourable trends have been partially offset by the deterioration in the value of the United States dollar ("USD") relative to the CAD in the current year. In the near term, we expect the primary source of revenue will be from the 13 rigs operating under long-term contracts at the end of 2009 3Q.

For the three months ended September 30, 2009, the Company's utilization rate of 69 percent (with 13 rigs working at the end of the period out of 16 total rigs) was 14 percent lower than the utilization rate of 83 percent recorded in the comparative period in 2008 (with 13 rigs working at the end of the period out of 15 total rigs).

Xtreme Coil reported increased operating days during the three and nine months ended September 30, 2009, compared to 2008. This reflected the increased number of rigs in the operating fleet and the additional number of rigs operating under long-term contracts. The achievement of 1,022 operating days in 2009 3Q represents an all-time record since Xtreme Coil's commencement of operations in 2006.

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

**Results of Operations**

**Revenue**

|                              | Three months ended |             |          | Nine months ended |             |          |
|------------------------------|--------------------|-------------|----------|-------------------|-------------|----------|
|                              | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Total revenue                | 26,153             | 26,328      | (1)      | 72,119            | 49,190      | 47       |
| Operating days               | 1,022              | 947         | 8        | 2,703             | 1,999       | 35       |
| Revenue per operating day    | 25.6               | 27.8        | (8)      | 26.7              | 24.6        | 9        |
| Rig utilization (percentage) | 69                 | 83          | (17)     | 62                | 70          | (11)     |

At September 30, 2009, Xtreme Coil's fleet consisted of 16 rigs (2008 – 15 rigs). As we ramped up construction, commissioning and deployment of new drilling rigs during 2008, operating days, revenues and revenue per operating day all increased. During the three and the nine months ended September 30, 2009, we had a greater proportion of our larger rigs operating than in the comparable 2008 periods. The higher dayrates commanded by these larger rigs combined with the effect of a stronger USD relative to the CAD, resulted in increased revenue per operating day for the nine months ended September 30, 2009 compared to the same period in 2008. In contrast, higher average mobilization revenue and higher average third party revenues related to reimbursable expenses in 2008 overshadowed the effect of having a greater percentage of larger rigs working and a slightly stronger USD for the three months ended September 30, 2009 compared to the same period in 2008.

Historically, all drilling contracts under which the Company operates its equipment have been denominated primarily in USD. We anticipate the continued operation under long-term contracts of our ten rigs in Mexico and three rigs in the United States will contribute to revenue stability during the remainder of 2009. Recently, there have been news reports suggesting PEMEX will be reviewing their development plans for Chicontepec; however, management continues to believe this will not adversely affect the utilization of our ten rigs currently under long-term contract in that area. Furthermore, management believes demand for drilling equipment in Mexico during 2009 will remain strong as the country continues to focus on developing existing hydrocarbon reserves to replace historic declines in production rates.

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

**Operating Expenses**

|   | Three months ended |             |          | Nine months ended |             |          |
|---|--------------------|-------------|----------|-------------------|-------------|----------|
|   | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Operating expenses                            | 14,417             | 18,178      | (21)     | 43,204            | 35,705      | 21       |
| Operating expenses<br>(percentage of revenue) | 55                 | 69          | (20)     | 60                | 73          | (18)     |
| Operating expenses per operating day          | 14.1               | 19.2        | (27)     | 16.0              | 17.9        | (11)     |

The increase in operating expenses year-over-year primarily reflects the higher number of operating days and stronger value of the USD relative to CAD on our USD denominated expenses. Operating expenses as a percentage of revenue, continued to decline in 2009 when compared to the prior year periods as fixed infrastructure and other non-rig specific operational expenses did not increase proportionally over these periods. Operating expenses per day also showed improvement for 2009 3Q compared to the same period in 2008 due to lower downtime and higher costs incurred during the rollout of the XTC 400 series rigs.

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

**Gross Margin<sup>1</sup>**

|   | Three months ended |             |          | Nine months ended |             |          |
|---|--------------------|-------------|----------|-------------------|-------------|----------|
|   | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Gross margin                            | 11,736             | 8,150       | 44       | 28,915            | 13,485      | 114      |
| Gross margin<br>(percentage of revenue) | 45                 | 31          | 45       | 40                | 27          | 48       |
| Gross margin per operating day          | 11.5               | 8.6         | 34       | 10.7              | 6.7         | 60       |

<sup>1</sup> see Non-GAAP measures

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

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

|                              | Three months ended |             |          | Nine months ended |             |          |
|------------------------------|--------------------|-------------|----------|-------------------|-------------|----------|
|                              | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| SG&A                         | 4,167              | 2,251       | 85       | 9,780             | 4,617       | 112      |
| SG&A (percentage of revenue) | 16                 | 9           | 78       | 14                | 9           | 56       |

SG&A for the three and nine months ended September 30, 2009 was higher primarily due to development of administrative infrastructure to support expanded international operations, higher professional fees and increased bonus expense. As the Company continues to expand its business and SG&A has increased, focus has been directed to finding ways to control the growth of these costs as a percentage of revenues, including progressively moving certain outsourced services to in-house permanent personnel.

**Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")<sup>1</sup>**

|        | Three months ended |             |          | Nine months ended |             |          |
|--------|--------------------|-------------|----------|-------------------|-------------|----------|
|        | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| EBITDA | 7,569              | 5,899       | 28       | 19,135            | 8,868       | 116      |

<sup>1</sup> see Non-GAAP measures

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

**Depreciation and Amortization**

|                               | Three months ended |             |          | Nine months ended |             |          |
|-------------------------------|--------------------|-------------|----------|-------------------|-------------|----------|
|                               | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Depreciation and amortization | 3,083              | 2,361       | 31       | 8,803             | 5,612       | 57       |

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

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

**Stock-based Compensation**

|                          | Three months ended |             |          | Nine months ended |             |          |
|--------------------------|--------------------|-------------|----------|-------------------|-------------|----------|
|                          | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Stock-based compensation | 350                | 420         | (17)     | 943               | 720         | 31       |

For the three months ended September 30, 2009, stock-based compensation decreased as fewer options were granted compared to the same period in 2008. However, for the nine months ended September 30, 2009, stock-based compensation increased overall as our operations in the United States and Mexico grew. The board of directors responded to this growth by granting additional options to purchase common shares to employees.

**Foreign Exchange**

|                              | Three months ended |             |          | Nine months ended |             |          |
|------------------------------|--------------------|-------------|----------|-------------------|-------------|----------|
|                              | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Foreign exchange (gain) loss | (1,969)            | 309         | n/a      | (2,744)           | 231         | n/a      |

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

For the three and nine months ended September 30, 2009, the foreign exchange gain increased primarily due to the effect of the decreased value of the USD in relation to the CAD on the debt denominated in USD, offset by increasing revenues denominated in USD.

**Net Interest Expense**

|                      | Three months ended |             |          | Nine months ended |             |          |
|----------------------|--------------------|-------------|----------|-------------------|-------------|----------|
|                      | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Net Interest expense | 680                | 898         | (24)     | 2,559             | 1,981       | 29       |

During 2008, Xtreme Coil drew on its credit facilities primarily to complete construction of drilling rigs which totalled 16 at December 31, 2008, as well as to provide cash for ongoing operating requirements and to establish operations in Mexico. These activities caused the Company's debt balances to peak in early 2009 and subsequently decline, as cash generated from operating activities and proceeds from equity issuance in 2009 allowed the Company to reduce debt by \$19,565 (including the effect of foreign exchange gains and losses) and fund \$15,488 in capital expenditures (including the effect of foreign exchange gains and losses) to upgrade rigs for anticipated work.

Net interest expense for the three months ended September 30, 2009 decreased compared to the same period in 2008 due to lower average debt balances as a result of debt repayments during 2009 3Q, in addition to lower average interest rates for the same period.

Net interest expense for the nine months ended September 30, 2009, increased compared to the same period in 2008, due to higher average debt balances partially offset by lower average interest rates on the Company's variable rate debt facilities.

**Income (Loss) Before Tax**

|                          | Three months ended |             |          | Nine months ended |             |          |
|--------------------------|--------------------|-------------|----------|-------------------|-------------|----------|
|                          | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Income (loss) before tax | 5,463              | 1,873       | 192      | 9,612             | 286         | 3,261    |

For the three and nine months ended September 30, 2009, income before tax increased over prior periods primarily as a result of Xtreme Coil's expanding operations and transition from a construction phase to an operational phase. As the Company secured long-term drilling contracts and increased revenues, operating days and income before tax increased.

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

**Income Taxes**

|                               | Three months ended |             |          | Nine months ended |             |          |
|-------------------------------|--------------------|-------------|----------|-------------------|-------------|----------|
|                               | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Income tax recovery (expense) | (2,729)            | (595)       | 359      | (2,573)           | (53)        | 4,755    |

For the three months ended September 30, 2009 versus the same period in the prior year, tax expense increased primarily due to an accrual for certain withholding taxes relating to the Company's international tax structure and the impact of the intercompany sale of two drilling rigs. For the nine months ended September 30, 2009, the increased tax expense over the prior year period reflects the 2009 3Q accrual of certain withholding taxes relating to the Company's international tax structure and the impact of the intercompany sale of four drilling rigs, partially offset by the recovery recorded in 2009 1Q to reflect a lower effective tax rate applicable to the Company's tax structure.

**Net Income (Loss)**

|                   | Three months ended |             |          | Nine months ended |             |          |
|-------------------|--------------------|-------------|----------|-------------------|-------------|----------|
|                   | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Net income (loss) | 2,734              | 1,278       | 114      | 7,039             | 233         | 2,921    |

The increase in net income in for the three and nine months ended September 30, 2009 primarily reflects increased operating profit from expanded operations, partially offset by higher taxes (as discussed above).

**Financial Condition, Liquidity and Capital Resources**

| <i>(\$ million)</i>          | 2009 Sep 30  | 2008 Dec 31 | % Change   |
|------------------------------|--------------|-------------|------------|
| Long-term liabilities        | 35.4         | 49.1        | (28)       |
| Less: working capital        | 36.5         | 6.2         | 489        |
| <b>Net debt <sup>1</sup></b> | <b>(1.1)</b> | <b>42.9</b> | <b>n/a</b> |

<sup>1</sup> see Non-GAAP measures

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

Year-to-date through September 30, 2009, proceeds from the issuance of equity and cash generated from operating activities enabled the Company to reduce debt by \$19,565 (including foreign exchange gains and losses), fund capital expenditures of \$15,488 and increase cash and cash equivalents by \$18,499.

**Capital Expenditures and Commitments**

| <i>(\$ million)</i>  | Three months ended |             |          | Nine months ended |             |          |
|----------------------|--------------------|-------------|----------|-------------------|-------------|----------|
|                      | 2009 Sep 30        | 2008 Sep 30 | % Change | 2009 Sep 30       | 2008 Sep 30 | % Change |
| Capital expenditures | 11.0               | 21.8        | (50)     | 15.5              | 47.9        | (68)     |
| Commitments          | 2.2                | 4.5         | (51)     | 5.9               | 4.5         | 31       |

Capital expenditures and commitments decreased in the three and nine months ended September 30, 2009, compared to 2008. At September 30, 2008, six rigs were under construction. By year-end 2008, the Company had completed construction of the 16 rigs and suspended the construction of an additional two rigs due to market conditions discussed in "Description of the Business". Capital spending in the nine months ended September 30, 2009, was primarily related to modifications conducted in the first half of the year on the four rigs subsequently moved to commence operations in Mexico and modifications conducted in the third quarter on an idle rig to make it suitable for re-entry work in the Middle East.

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

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

to funded debt to EBITDA and interest coverage. The syndicate provided waivers with regard to covenant non-compliance for twelve months following the respective balance sheet dates of non-compliance.

On May 29, 2009, Xtreme Coil executed the second amendment to the credit agreement. The amendment extends the existing credit facilities, continuing the \$15 million operating loan facility ("Tranche A") and converting the \$60 million revolving credit facility into an extendible term loan ("Tranche B"). Terms of Tranche A remain essentially unchanged. The amended Tranche B facility requires minimum principal payments based on a five-year amortization of the outstanding balance at May 29, 2009. Quarterly installments in arrears began June 30, 2009, and continue until the stated maturity date of January 4, 2011, at which time the remaining facility balance becomes due and payable unless extended. Under the terms of the amended agreement, Xtreme Coil may request extension of the facility at any time 90 days before the stated maturity date. A debt service coverage ratio covenant replaces the EBIT interest coverage and funded debt to EBITDA covenants that previously applied to quarterly financial reporting periods. Xtreme Coil was in compliance with all covenants at September 30, 2009.

At September 30, 2009, Xtreme Coil had no outstanding balance on the operating loan facility ("Tranche A") (at December 31, 2008, \$7,878) and \$47,243 on the extendible term loan, of which \$11,838 was classified as current ("Tranche B") (at December 31, 2008, \$58,930, of which \$9,825 was classified as current).

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

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

| <b>Contractual Obligations</b>           | <b>Total</b>  | <b>Less than 1 year</b> | <b>1 – 3 years</b> | <b>4 – 5 years</b> |
|--|---------------|-------------------------|--------------------|--------------------|
| Accounts payable and accrued liabilities | 12,544        | 12,544                  | –                  | –                  |
| Income tax payable                       | 1,792         | 1,792                   | –                  | –                  |
| Operating leases                         | 1,573         | 707                     | 642                | 224                |
| Extendible term loan                     | 47,243        | 11,838                  | 35,405             | –                  |
| Commitments                              | 2,200         | 2,200                   | –                  | –                  |
| <b>Total contractual obligations</b>     | <b>65,352</b> | <b>29,081</b>           | <b>36,047</b>      | <b>224</b>         |

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

**Segmented Information**

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

| <b>Revenue</b> | <b>Three months ended</b> |                    |                 | <b>Nine months ended</b> |                    |                 |
|----------------|---------------------------|--------------------|-----------------|--------------------------|--------------------|-----------------|
|                | <b>2009 Sep 30</b>        | <b>2008 Sep 30</b> | <b>% Change</b> | <b>2009 Sep 30</b>       | <b>2008 Sep 30</b> | <b>% Change</b> |
| Canada         | –                         | 1,306              | (100)           | –                        | 3,783              | (100)           |
| United States  | 5,688                     | 18,465             | (69)            | 18,896                   | 38,850             | (51)            |
| México         | 20,465                    | 6,557              | 212             | 53,223                   | 6,557              | 712             |
| <b>Total</b>   | <b>26,153</b>             | <b>26,328</b>      | <b>(1)</b>      | <b>72,119</b>            | <b>49,190</b>      | <b>47</b>       |

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

**Outstanding Common Shares**

As at September 30, 2009, Xtreme Coil had outstanding options to purchase 3,817,000 common shares (2008 3Q – 2,504,000) at a weighted average exercise price of \$4.68 per share (2008 3Q – \$5.89).

Share capital on November 10, 2009 was \$252,846 and 52,871,669 common shares were issued and outstanding. Additionally, Xtreme Coil has outstanding purchase warrants entitling the holder to purchase a total of 1,000,000 common shares and options outstanding entitling the holders to purchase 3,791,666 common shares.

**Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

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

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

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

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

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

During 2009, management has worked to mitigate the risk resulting from these deficiencies by emphasizing the oversight and diligence of the certifying officers. The Company has hired qualified financial reporting and accounting personnel, and engaged the services of qualified taxation consultants to assist with certain complex and non-routine accounting and tax issues that may arise. In addition, Xtreme Coil has centralized the corporate accounting function in the Houston, Texas office.

Furthermore, during 2009 3Q United States-based general accounting activities were moved from Casper, Wyoming to the Company's Houston, Texas headquarters in an effort to reduce costs and enhance coordination and efficiency.

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

**Non-GAAP Measures**

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

*Operating Days*

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

*Rig Utilization*

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

*Gross Margin*

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

|   | Three months ended |             | Nine months ended |             |
|---|--------------------|-------------|-------------------|-------------|
|   | 2009 Sep 30        | 2008 Sep 30 | 2009 Sep 30       | 2008 Sep 30 |
| Net income (loss)                             | 2,734              | 1,278       | 7,039             | 233         |
| Tax expense (recovery)                        | 2,729              | 595         | 2,573             | 53          |
| Net interest expense                          | 680                | 898         | 2,559             | 1,981       |
| Loss (gain) on sale / repurchase of equipment | (38)               | 38          | (38)              | 38          |
| Foreign exchange loss (gain)                  | (1,969)            | 309         | (2,744)           | 231         |
| Stock-based compensation                      | 350                | 420         | 943               | 720         |
| Amortization of intangibles                   | 71                 | 68          | 212               | 202         |
| Depreciation of capital assets                | 3,012              | 2,293       | 8,591             | 5,410       |
| Selling, general and administrative           | 4,167              | 2,251       | 9,780             | 4,617       |
| Gross margin                                  | 11,736             | 8,150       | 28,915            | 13,485      |

*EBITDA*

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

|   | Three months ended |             | Nine months ended |             |
|---|--------------------|-------------|-------------------|-------------|
|   | 2009 Sep 30        | 2008 Sep 30 | 2009 Sep 30       | 2008 Sep 30 |
| Net income (loss)                             | 2,734              | 1,278       | 7,039             | 233         |
| Tax expense (recovery)                        | 2,729              | 595         | 2,573             | 53          |
| Net interest expense                          | 680                | 898         | 2,559             | 1,981       |
| Loss (gain) on sale / repurchase of equipment | (38)               | 38          | (38)              | 38          |
| Foreign exchange loss (gain)                  | (1,969)            | 309         | (2,744)           | 231         |
| Stock-based compensation                      | 350                | 420         | 943               | 720         |
| Amortization of intangibles                   | 71                 | 68          | 212               | 202         |
| Depreciation of capital assets                | 3,012              | 2,293       | 8,591             | 5,410       |
| EBITDA  | 7,569              | 5,899       | 19,135            | 8,868       |
| EBITDA per share (\$)                         | 0.14               | 0.15        | 0.43              | 0.23        |

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

*Net Debt*

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

**Outlook**

The general economic uncertainty of the recession which began in late 2008 continued through 2009 3Q with rig counts remaining well below historical averages in North America. While Xtreme Coil was successful in raising equity during 2009 2Q, credit and equity markets continue to exhibit historically high levels of volatility and access to these markets remains somewhat constrained.

Early in 2009 3Q, Xtreme Coil's wholly-owned subsidiary, Xtreme Coil Drilling Mexico, S.A. de C.V., executed long-term contracts with a global integrated oilfield services customer for two XTC 200DT<sup>Plus</sup> rigs which commenced operations in Mexico late in 2009 3Q. Subsequent to those contracts, we entered into eight new long-term day rate contracts for COTD<sup>TM</sup> drilling rigs with the same customer. These long-term contracts cover a term of 18 months of 100 percent utilization at day rates substantially similar to expiring contracts and include options for three six-month extension periods.

Xtreme Coil now has all ten rigs in Mexico contracted into 2011. Under these contracts, the ten drilling rigs in Mexico will continue to operate in the Chicontepec oil development project near Poza Rica in the state of Veracruz.

Xtreme Coil has thirteen of its sixteen rigs operating under long-term contracts in Mexico and the United States. We expect this will improve 2009 4Q operating days compared to 2009 3Q. We did not win any contracts on the spot drilling market in 2009 3Q. The increase in rig utilization and operating days in 2009 3Q compared to 2009 2Q related to the commencement of operations under long-term contracts for two rigs in late 2009 2Q and an additional two rigs in late 2009 3Q. We anticipate that this increase in rig utilization should contribute favourably to cash flow from operating activities during the remainder of 2009.

We continue to pursue and evaluate opportunities for drilling projects inside and outside North America. Additionally, we believe there are opportunities in the Middle East, North Africa, Australia and Asia. Generally, these regions have relatively stable drilling demand compared to the United States and Canada where drilling markets have only recently showed early signs of increased rig counts.

Xtreme Coil believes the drilling market in Mexico will remain stable during the remainder of 2009. Although certain media coverage several weeks ago suggested uncertainties with regard to development in the Chicontepec project, Xtreme Coil continues to operate at full utilization in that region. We understand the operator is preparing 2010 budgets and operational plans for 2010. We are prepared to pursue any additional tenders made available to companies who are potential customers for Xtreme Coil rigs. Management believes Xtreme Coil offers the newest drilling rigs and differentiating technology which may position us to respond to any potential changes in development plans.

Throughout 2009 3Q and in early 2009 4Q, Xtreme Coil customized an existing XTC 200 series to prepare it for potential re-entry work in the Middle East. We recently invited potential customers and service providers to tour the rig on-site in south Texas and technical feedback was positive.

For the remainder of 2009, Xtreme Coil will continue to advance strategic opportunities for contracts within and outside of North America. In response to interest generated from discussions initiated throughout 2009 in several international drilling regions we are discussing a range of projects which could utilize the advanced capabilities of our COTD<sup>TM</sup> drilling rigs.

**Additional Information**

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

**Xtreme Coil Drilling Corp.**  
**Consolidated Balance Sheets**  
*(in thousands)*  
*(unaudited)*

|  | 2009 Sep 30       | 2008 Dec 31       |
|--|-------------------|-------------------|
| <b>Assets</b>  |                   |                   |
| <b>Current assets</b>  |                   |                   |
| Cash and cash equivalents  | \$ 20,509         | \$ 2,010          |
| Accounts receivable <i>(Notes 4 and 12)</i>                          | 29,091            | 27,291            |
| Other receivables <i>(Note 5)</i>                                    | 8,135             | 7,966             |
| Prepaid expenses   | 2,442             | 1,218             |
| Inventory <i>(Note 6)</i>  | 2,515             | 1,045             |
|  | <b>62,692</b>     | <b>39,530</b>     |
| <b>Future income tax</b>   | 4,819             | 4,966             |
| <b>Equipment</b> <i>(Note 7)</i>                                     | 244,928           | 238,345           |
| <b>Intangible assets</b> <i>(Note 8)</i>                             | 4,879             | 4,923             |
| <b>Goodwill</b> <i>(Notes 2 and 9)</i>                               | 1,630             | 1,630             |
|  | <b>\$ 318,948</b> | <b>\$ 289,394</b> |
| <b>Liabilities and Shareholders' Equity</b>                          |                   |                   |
| <b>Current liabilities</b>   |                   |                   |
| Bank indebtedness <i>(Note 10)</i>                                   | –                 | 7,878             |
| Accounts payable and accrued liabilities <i>(Note 12)</i>            | 12,544            | 14,215            |
| Income tax payable   | 1,792             | 1,354             |
| Current portion of obligations under capital leases <i>(Note 12)</i> | –                 | 75                |
| Current portion of long-term debt <i>(Note 10)</i>                   | 11,838            | 9,825             |
|  | <b>26,174</b>     | <b>33,347</b>     |
| <b>Long-term liabilities</b>   |                   |                   |
| Obligations under capital leases <i>(Note 12)</i>                    | –                 | 35                |
| Long-term debt <i>(Note 10)</i>                                      | 35,405            | 49,105            |
|  | <b>35,405</b>     | <b>49,140</b>     |
| <b>Shareholders' equity</b>  |                   |                   |
| <b>Share capital</b> <i>(Note 11)</i>                                | 252,777           | 207,462           |
| <b>Warrants</b> <i>(Note 11b)</i>                                    | 1,630             | 1,630             |
| <b>Contributed surplus</b> <i>(Note 11c)</i>                         | 4,437             | 3,453             |
| <b>Retained earnings (deficit)</b>                                   | 1,401             | (5,638)           |
| <b>Accumulated other comprehensive loss</b>                          | (2,876)           | –                 |
|  | <b>257,369</b>    | <b>206,907</b>    |
|  | <b>\$ 318,948</b> | <b>\$ 289,394</b> |
| <b>Commitments and contingencies</b> <i>(Note 14)</i>                |                   |                   |

See accompanying notes to the consolidated financial statements.

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

*(in thousands, except share and per share data)*  
*(unaudited)*

|  | Three Months<br>ended<br>2009 Sep 30 | Three Months<br>ended<br>2008 Sep 30 | Nine Months<br>ended<br>2009 Sep 30 | Nine Months<br>ended<br>2008 Sep 30 |
|--|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| <b>Revenue</b>   | \$ 26,153                            | \$ 26,328                            | \$ 72,119                           | \$ 49,190                           |
| <b>Expenses</b>  |                                      |                                      |                                     |                                     |
| Operating expenses   | 14,417                               | 18,178                               | 43,204                              | 35,705                              |
| Selling, general and administrative                            | 4,167                                | 2,251                                | 9,780                               | 4,617                               |
| Depreciation of capital assets                                 | 3,012                                | 2,293                                | 8,591                               | 5,410                               |
| Amortization of intangibles                                    | 71                                   | 68                                   | 212                                 | 202                                 |
| Stock-based compensation                                       | 350                                  | 420                                  | 943                                 | 720                                 |
| Foreign exchange loss (gain)                                   | (1,969)                              | 309                                  | (2,744)                             | 231                                 |
| Loss (gain) on sale/ repurchase of equipment                   | (38)                                 | 38                                   | (38)                                | 38                                  |
| Net Interest expense   | 680                                  | 898                                  | 2,559                               | 1,981                               |
| <b>Income before tax for the period</b>                        | <b>5,463</b>                         | <b>1,873</b>                         | <b>9,612</b>                        | <b>286</b>                          |
| <b>Tax recovery (expense)</b>                                  |                                      |                                      |                                     |                                     |
| Current  | (2,828)                              | -                                    | (1,732)                             | -                                   |
| Future   | 99                                   | (595)                                | (841)                               | (53)                                |
| <b>Net income for the period</b>                               | <b>2,734</b>                         | <b>1,278</b>                         | <b>7,039</b>                        | <b>233</b>                          |
| <b>Deficit, beginning of period</b>                            | <b>(1,333)</b>                       | <b>(9,424)</b>                       | <b>(5,638)</b>                      | <b>(8,379)</b>                      |
| <b>Retained earnings (deficit), end of period</b>              | <b>1,401</b>                         | <b>(8,146)</b>                       | <b>1,401</b>                        | <b>(8,146)</b>                      |
| <b>Net income per common share</b>                             |                                      |                                      |                                     |                                     |
| - basic  | \$ 0.05                              | \$ 0.03                              | \$ 0.16                             | \$ 0.01                             |
| - diluted  | \$ 0.05                              | \$ 0.03                              | \$ 0.16                             | \$ 0.01                             |
| <b>Weighted average number of<br/>common shares (Note 11e)</b> |                                      |                                      |                                     |                                     |
| - basic  | 52,844,789                           | 40,559,647                           | 44,854,435                          | 37,859,072                          |
| - diluted  | 53,593,863                           | 41,491,684                           | 44,935,321                          | 38,875,260                          |

See accompanying notes to the consolidated financial statements.

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

*(in thousands)*  
*(unaudited)*

|   | Three Months<br>ended<br>2009 Sep 30 | Three Months<br>ended<br>2008 Sep 30 | Nine Months<br>ended<br>2009 Sep 30 | Nine Months<br>ended<br>2008 Sep 30 |
|---|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Net income  | \$ 2,734                             | \$ 1,278                             | \$ 7,039                            | \$ 233                              |
| <b>Other comprehensive income (loss)</b>  |                                      |                                      |                                     |                                     |
| Unrealized loss on translating<br>financial statements of self-sustaining<br>foreign operations | (18,671)                             | -                                    | (29,364)                            | -                                   |
| <b>Comprehensive income (loss)</b>  | <b>\$ (15,937)</b>                   | <b>\$ 1,278</b>                      | <b>\$ (22,325)</b>                  | <b>\$ 233</b>                       |

See accompanying notes to the consolidated financial statements.

**Xtreme Coil Drilling Corp.**  
**Consolidated Statements of**  
**Accumulated Other Comprehensive Loss**

*(in thousands)*  
*(unaudited)*

|  | Three Months<br>ended<br>2009 Sep 30 | Three Months<br>ended<br>2008 Sep 30 | Nine Months<br>ended<br>2009 Sep 30 | Nine Months<br>ended<br>2008 Sep 30 |
|--|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| <b>Accumulated other comprehensive income</b>  |                                      |                                      |                                     |                                     |
| – beginning of period  | \$ –                                 | \$ –                                 | \$ –                                | \$ –                                |
| Impact of translating financial statements<br>of self-sustaining foreign operations<br>beginning of period <i>(Note 3)</i> | 15,795                               | -                                    | 26,488                              | -                                   |
| Unrealized loss on translation of<br>foreign operations during the current<br>period <i>(Note 3)</i>                       | (18,671)                             | -                                    | (29,364)                            | -                                   |
| <b>Accumulated other comprehensive loss</b>  |                                      |                                      |                                     |                                     |
| – end of period  | <b>\$ (2,876)</b>                    | <b>\$ –</b>                          | <b>\$ (2,876)</b>                   | <b>\$ –</b>                         |

See accompanying notes to the consolidated financial statements.

**Xtreme Coil Drilling Corp.**  
**Consolidated Statement of Cash Flows**  
*(in thousands)*  
*(unaudited)*

|   | Three Months<br>ended<br>2009 Sep 30 | Three Months<br>ended<br>2008 Sep 30 | Nine Months<br>ended<br>2009 Sep 30 | Nine Months<br>ended<br>2008 Sep 30 |
|---|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| <b>Cash provided by (used in) operating activities</b>                        |                                      |                                      |                                     |                                     |
| Net income for the period   | \$ 2,734                             | \$ 1,278                             | \$ 7,039                            | \$ 233                              |
| Items not affecting cash:   |                                      |                                      |                                     |                                     |
| Depreciation and amortization   | 3,083                                | 2,361                                | 8,803                               | 5,612                               |
| Stock-based compensation  | 350                                  | 420                                  | 943                                 | 720                                 |
| Loss (gain) on sale of equipment  | (38)                                 | 38                                   | (38)                                | 38                                  |
| Amortization of financing cost  | -                                    | 153                                  | 276                                 | 206                                 |
| Unrealized foreign exchange loss (gain)                                       | (1,947)                              | 294                                  | (3,048)                             | 294                                 |
| Future income tax expense (recovery)  | (99)                                 | 595                                  | 841                                 | 53                                  |
|   | 4,083                                | 5,139                                | 14,816                              | 7,156                               |
| Changes in non-cash operating working-capital<br>(Note 16)                    | (1,334)                              | (21,952)                             | (1,855)                             | (22,023)                            |
|   | 2,749                                | (16,813)                             | 12,961                              | (14,867)                            |
| <b>Financing activities</b>   |                                      |                                      |                                     |                                     |
| Proceeds from shares issued   | -                                    | -                                    | 47,203                              | 35,030                              |
| Share issue costs   | -                                    | (42)                                 | (2,757)                             | (890)                               |
| Proceeds from exercise of stock options                                       | 96                                   | 300                                  | 96                                  | 300                                 |
| Proceeds from other long-term liabilities (Note 9)                            | -                                    | -                                    | -                                   | 4,080                               |
| Proceeds from (reduction of) long-term debt                                   | (12,231)                             | 24,337                               | (11,687)                            | 22,757                              |
| Repayment of operating facility   | (4,787)                              | -                                    | (7,878)                             | -                                   |
| Capital lease payments  | (66)                                 | (21)                                 | (110)                               | (61)                                |
|   | (16,988)                             | 24,574                               | 24,867                              | 61,216                              |
| <b>Investing activities</b>   |                                      |                                      |                                     |                                     |
| Proceeds from sale of equipment   | 102                                  | -                                    | 368                                 | -                                   |
| Proceeds from sale of equipment to joint<br>venture (Note 9)                  | -                                    | -                                    | -                                   | 5,873                               |
| Capital expenditures  | (10,983)                             | (21,786)                             | (15,488)                            | (47,889)                            |
| Increase in intangibles   | (34)                                 | (64)                                 | (168)                               | (120)                               |
| Changes in non-cash working capital relating to<br>capital items (Note 16)    | 2,028                                | 3,525                                | (4,041)                             | (5,544)                             |
|   | (8,887)                              | (18,325)                             | (19,329)                            | (47,680)                            |
| <b>Increase (decrease) in cash and cash equivalents<br/>during the period</b> | <b>(23,126)</b>                      | <b>(10,564)</b>                      | <b>18,499</b>                       | <b>(1,331)</b>                      |
| <b>Cash and cash equivalents, beginning of period</b>                         | <b>43,635</b>                        | <b>9,616</b>                         | <b>2,010</b>                        | <b>383</b>                          |
| <b>Cash and cash equivalents, end of period</b>                               | <b>\$ 20,509</b>                     | <b>\$ (948)</b>                      | <b>\$ 20,509</b>                    | <b>\$ (948)</b>                     |
| <b>Supplemental disclosure of cash flow information</b>                       |                                      |                                      |                                     |                                     |
| Interest received   | \$ 15                                | \$ 5                                 | \$ 15                               | \$ 22                               |
| Interest paid   | 693                                  | 434                                  | 2,295                               | 1,481                               |
| Income tax paid   | 1,014                                | -                                    | 1,152                               | -                                   |
| <b>Non-cash transactions</b>  |                                      |                                      |                                     |                                     |
| purchase; repayment of joint venture loan                                     | -                                    | -                                    | -                                   | 8,000                               |

See accompanying notes to the consolidated financial statements.

## **Reader Advisory**

This news release contains forwarding looking statements. More particularly, this news release contains statements relating to assumptions regarding management's view of future events, expectations, plans, initiatives or prospects constituting forward-looking statements within the meaning of securities laws. Forward-looking statements may relate to Xtreme Coil's future outlook and anticipated events or results related to existing and anticipated future contracts; commodity pricing; rates of currency exchange; operating expenses; rig construction, completion or deployment; capital expenditures and other guidance provided throughout this news release. Risks and uncertainties result from a variety of factors and actual results, expectations, achievements or performance may differ materially from those anticipated or indicated in this news release. Although Xtreme Coil believes the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because Xtreme Coil can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. The forward-looking statements contained in this news release are made as of the date hereof and Xtreme Coil undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

## **Corporate Profile**

Xtreme Coil develops and applies leading edge patented and patent-related technology and designs to build, transport, and operate new Coil Over Top Drive® COTD™ drilling rigs. Currently contracted in the United States and México and marketed to other international regions, Xtreme Coil's innovative, dual-purpose and efficient rigs drill with larger coil to reach hydrocarbons in deeper horizons. Other features of Xtreme Coil's proprietary technology include: larger coil injectors, re-entry drilling capability, modular transportation systems and new methods for achieving deeper, faster and safer drilling. Xtreme Coil's common shares trade on the TSX under the symbol "XDC".

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