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For Immediate Release

Xtreme Coil Reports Record Quarter and Updates Operations

Calgary, Alberta (TSX: "XDC") November 13, 2008 – Xtreme Coil Drilling Corp. ("Xtreme Coil", the "company") provides an operations update and announces financial and operating results for the three and nine months ended September 30, 2008 ("2008 3Q"), with comparative data for same period in 2007 ("2007 3Q") and for the year ended December 31, 2007.

Highlights

- 2008 3Q record revenue increased 175 percent from 2007 3Q;
- achieved 91 percent rig utilization in United States operations;
- added two Coil Over Top Drive[®] ("COTD[™]") drilling rigs to four previously contracted by Weatherford de México S.A. de C.V.;
- two rigs in México began drilling operations in 2008 3Q;
- first well ever drilled with coil in west Texas Waddell Ranch achieved record pace;
- entered joint marketing agreement with Baker INTEQ.

Operations Update

In 2008 3Q, Xtreme Coil achieved record revenues as activity ramped up for our COTD[™] drilling rigs in the United States and rigs in México began operations. This quarter recorded 947 operating days and utilization reached 83 percent.

At September 30, 2008 Xtreme Coil had in place long-term contracts throughout the United States and México, for 11 COTD[™] drilling rigs. In 2008 4Q, we now have 16 rigs in the field. We are achieving continuing technical success and demonstrating the cost savings that drilling with coiled tubing can deliver. Recently, Xtreme Coil's XTC 200DT^{Plus} drilled the first well ever undertaken with coil in the Waddell Ranch field of west Texas. Drilling in a carbonate formation, the rig reached total depth in 10.5 days, approximately 5 days faster than our customer had projected.



XTC 300 on location in México

In 2008 3Q, two rigs in México began drilling operations. In early November, a third rig commenced activity and we anticipate the remaining three rigs will begin operations during 2008 4Q. Initially, most rigs in México experience some standby time waiting for completion of locations before drilling operations can commence.

In October 2008, Xtreme Coil entered into a joint marketing agreement with INTEQ, a division of the world-wide drilling services company, Baker Hughes Incorporated. Under the agreement, we will work together to provide innovative solutions to customers who use Xtreme Coil's COTD[™] drilling rigs and Baker

INTEQ's directional drilling tools. The initial focus will be field testing our coiled tubing drilling using the TruTrak[™] rotary steerable tool and undertaking re-entry projects with the CoilTrak[®] bottom hole assembly system. Xtreme Coil believes combining COTD[™] drilling rigs with Baker INTEQ tools has the potential to deliver significant technical drilling improvements to our current and future E&P customers.

Xtreme Coil continues to engage current and potential new customers in discussions focused on coiled tubing's technical applications to re-entry projects. We expect this will uncover new opportunities for Xtreme Coil as a number of producers have expressed interest in evaluating the capability of our technology and in capturing the cost efficiencies possible.

We have decided to temporarily suspend our 2008 capital expenditures program as a result of the worldwide economic turmoil. Going forward, Xtreme Coil plans to re-establish COTD™ rig construction concurrent with the negotiation of long-term contracts. To offset the current uncertainty in North American markets, we are committed to our strategy of marketing our innovative drilling technology to a broad range of global energy projects.

Tom Wood
Chairman and Chief Executive Officer

Rod Uchytíl
President

2008 Third Quarter Highlights

<i>(\$ thousand except where indicated)</i>	2008 Sep 30	2007 Sep 30	% Change
Revenue	26,328	9,574	175
Net income (loss)	1,278	(1,338)	196
Net income (loss) per share (\$)	0.03	(0.04)	180
Capital assets	231,392	167,788	38
Operating days ¹	947	398	138
Rig utilization (<i>percentage</i>) ¹	83	62	34

¹ see Non-GAAP measures in MD&A

Management's Discussion and Analysis ("MD&A") For the three and nine months ended September 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 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 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 the MD&A for the year ended December 31, 2007. 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 November 12, 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 for customers from other drilling contractors, 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 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 on 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 designing, building and operating 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 builds drilling rigs in Canada under contracts with several third parties. Upon completion of the COTD[™] drilling rigs, Xtreme Coil operates the rigs under contract to oil and natural gas exploration and production ("E&P") companies. Xtreme Coil currently conducts drilling operations in the United States and México. We continuously 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, Canada. Xtreme Coil has United States field offices in Casper, and Cheyenne, Wyoming. During 2008 3Q, Xtreme Coil established offices in Houston, Texas and near Poza Rica, in the state of Veracruz, México.

At September 30, 2008 Xtreme Coil had several long-term drilling contracts with two major E&P companies in the United States. On an on-going basis, we conduct contract negotiations with current and potential new customers. During 2008 3Q, Xtreme Coil signed two further long-term contracts for operations in México. Currently, this customer has six COTD[™] rigs contracted and has signed a letter of intent to contract a seventh drilling rig for delivery to México on a mutually agreed date in 2009.

At September 30, 2008, the United States Patent and Trademark office had issued four patents to Xtreme Coil. Xtreme Coil has more than 60 further patent applications pending in the United States, Canada and other jurisdictions. Our issued patents and patent applications cover Xtreme Coil's 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. At September 30, 2008, Xtreme Coil had 15 COTD[™] rigs completed (2007 3Q – eight rigs). Of the 15 rigs completed, ten rigs were in the United States and five were either in México or in transit from Canada to locations in México. During 2008 3Q, we completed three drilling rigs for México – two XTC 300 models and one XTC 400. In addition, we redeployed two XTC 200ST rigs to México and continued the final phases of commissioning one more XTC 400 drilling rig in preparation for its deployment to México in early 2008 4Q. Currently, we have a number of components in stock or on order for two further drilling rigs, but have temporarily suspended our drilling rig construction program due to global economic uncertainty.

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

	2008	2008	2008	2007
(\$ thousand, except where noted)	30 Sep	30 Jun	31 Mar	31 Dec
Revenue	26,328	10,527	12,335	12,416
Net income (loss)	1,278	(1,541)	496	(204)
Net income (loss) per share (dollars)	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 ¹	947	473	579	579
Rig utilization (percentage) ¹	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
	2007	2007	2007	2006
	30 Sep	30 Jun	31 Mar	31 Dec
Revenue	9,574	5,416	4,789	3,620
Net income (loss)	(1,338)	(1,144)	(517)	(781)
Net income (loss) per share (dollars)	(0.04)	(0.03)	(0.02)	(0.03)
Capital assets	167,788	148,503	111,908	88,511
Total assets	190,191	175,358	168,612	117,735
Operating days ¹	398	280	235	163
Rig utilization (percentage) ¹	62	66	65	79
Weighted average rigs in service	7.0	4.6	4.0	2.3
Completed rigs, end of quarter	8	7	4	4

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. During 2008 2Q, lower utilization reduced revenue and operating days from the previous quarter. In 2008 3Q, both revenue and operating days improved from prior quarters with the completion of more drilling rigs, continuous operations for ten rigs in the United States and commencement of drilling operations in México.

In 2008 3Q, revenue increased from 2008 2Q reflecting a 91 percent utilization rate for United States drilling operations. As well, in 2008 3Q Xtreme Coil transferred to México two XTC 200ST rigs that had previously operated in Canada.

Capital asset increases in successive quarters primarily reflect Xtreme Coil's rig build program.

Results of Operations**Revenue**

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Total revenue	26,328	9,574	175	49,190	19,779	149
Operating days	947	398	138	1,999	913	119
Revenue per operating day	27.8	24.1	16	24.6	21.7	14
Rig utilization (percentage)	83	62	34	70	64	8

For the three and nine months ended September 30, 2008 the increase over the prior year in Xtreme Coil's revenue and operating days reflects the increase in the number of drilling rigs in operation.

Included in 2008 3Q revenue is an amount earned for mobilizing most of the five rigs that were either in México or in transit to México by September 30, 2008. The increase in revenue per operating day also reflects the growing proportion of larger rigs in Xtreme Coil's fleet operating at higher daily rates.

In 2008 3Q, total revenue increased from 2008 2Q as a result of increased operating days with ten rigs active in the United States. In addition, two rigs commenced drilling operations in México during 2008 3Q under contracts secured in 2008 2Q, while three more rigs were waiting for well locations or were in transit.

Operating Expenses

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Operating expenses	18,178	9,053	101	35,705	18,240	96
Operating expenses (percentage of revenue)	69	95	(27)	73	92	(21)
Operating expenses per operating day	19.2	22.7	(16)	17.9	20.0	(11)

As with revenue, the increase in operating expenses for the three and nine months ended September 30 is primarily determined by the increase in the number of drilling rigs in operation. Specifically, for 2008 3Q, the weighted average number of drilling rigs in operation increased to 12.4 rigs (2007 3Q - 7.0 rigs).

Included in 2008 3Q operating expenses is an amount for expenses incurred for mobilizing most of the five rigs that were either in or in transit to México by the end of the quarter.

As a percentage of revenue, operating expenses were lower since infrastructure expenses moderated in proportion to the expansion of Xtreme Coil's rig fleet.

Gross Margin¹

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Gross margin	8,150	521	1,464	13,485	1,539	776
Gross margin (percentage of revenue)	31	5	525	27	8	252
Gross margin per operating day	8.6	1.3	557	6.7	1.7	300

¹ see Non-GAAP measures

In 2008 3Q, the improvement in gross margin from the previous three and nine month periods resulted primarily from economies of scale.

Gross margin was higher for 2008 3Q, compared to 2008 2Q, primarily due to the higher activity levels outlined previously.

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

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
SG&A	2,251	863	161	4,617	2,901	59
SG&A (percentage of revenue)	9	9	(5)	9	15	(36)

For 2008 3Q, total SG&A increased from the previous three and nine month periods as continued expansion of operations required additional infrastructure, specifically for establishing the Houston and México offices and drilling operations in México. Included in 2008 3Q were certain expenses we do not expect to incur in the future.

SG&A in 2008 3Q, as a percentage of revenue, decreased from the prior period and the previous quarter due primarily to higher revenue generated by Xtreme Coil's growing rig fleet.

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

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
EBITDA	5,899	(342)	1,825	8,868	(1,362)	751

¹ see Non-GAAP measures

In 2008 3Q, the improvement in EBITDA over the previous three and nine month periods resulted primarily from increased gross margin generated by Xtreme Coil's expanded fleet of drilling rigs.

EBITDA for 2008 3Q is higher compared to 2008 2Q due to the increase in activity levels discussed earlier.

Depreciation and Amortization

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Depreciation and amortization	2,361	1,077	119	5,612	2,183	157

Depreciation, calculated on a unit-of-production basis, increases in relation to the number of operating days. For the three and nine months ended September 30, 2008 depreciation increased from the comparative periods and from 2008 2Q, reflecting the higher number of operating days, the deployment of additional drilling rigs and the higher rate of depreciation for larger rigs.

Stock-based Compensation

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Stock-based compensation	420	142	196	720	415	73

In 2008 3Q, stock-based compensation increased from 2007 3Q, and compared to 2008 2Q, as the board of directors responded to growth in Xtreme Coil's operations in the United States and México by approving new grants of options to purchase common shares.

Foreign Exchange

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Foreign exchange loss	309	189	63	231	503	(54)

Foreign exchange gains or losses result from a translation of Xtreme Coil's net working capital balances denominated in United States ("US") dollars or Mexican pesos and from the portion of revolving debt denominated in US dollars. During 2008 3Q Xtreme Coil commenced operations in México, thereby introducing exposure to another foreign currency, and also commenced drawing a portion of the revolving debt facility in US dollars. Most revenue from operations in México is denominated in US funds.

Interest Expense and Income

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Interest expense	904	133	580	2,003	228	779
Interest income	(6)	(37)	(84)	(22)	(634)	(97)
Net interest expense (income)	898	96	835	1,981	(406)	588

During 2008 3Q, Xtreme Coil continued to draw on the \$70 million revolving credit facility as well as the \$15 million operating line. We used the facilities primarily to complete the construction of additional drilling rigs which totalled 15 at September 30, 2008, as well as to provide cash for ongoing operating requirements.

Throughout most of the first nine months of 2007, Xtreme Coil had a cash surplus which generated interest income. During 2007 Q3, we commenced drawing on our debt facilities and incurring larger interest expenses. The use of credit facilities to fund Xtreme Coil's expanding fleet of drilling rigs has continued since 2007, supplemented by equity raised in 2008 2Q.

Net Income (Loss) Before Tax

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Net income (loss) before tax	1,873	(1,846)	201	286	(4,057)	107

For the three and nine month periods in 2008 3Q, Xtreme Coil recorded income before tax in contrast to a loss before tax. This was a result of increased gross margins.

The 2008 3Q income before tax, compared to 2008 2Q, reflects improved gross margin from higher activity levels.

Income Taxes

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Income tax expense (recovery)	595	(508)	217	53	(1,058)	105

For the three and nine months ended September 30, 2008, income tax expense was recorded, as a result of the income recorded in 2008 3Q. Losses in the comparable periods of 2007 resulted in a tax recovery.

Net Income (Loss)

	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Net income (loss)	1,278	(1,338)	196	233	(2,999)	108

Financial Condition, Liquidity and Capital Resources

(\$ million)	2008 Sep 30	2007 Dec 31	% Change
Cash balance	(.9)	0.4	125
Working capital (deficit)	13.2	(10.0)	232
Long-term liabilities	52.9	30.0	77

During 2008 3Q, Xtreme Coil made substantial investments for working capital requirements for México. The most significant items included funding for rig mobilization expenses and the remittance of value-added tax ("VAT") payments to the government of México for equipment imported into the country. While these VAT payments are refundable and included in accounts receivable, it could take several months to receive the funds.

Capital Expenditures and Commitments

(\$ million)	Three months ended			Nine months ended		
	2008 Sep 30	2007 Sep 30	% Change	2008 Sep 30	2007 Sep 30	% Change
Capital expenditures	21.8	20.3	7	47.9	81.2	(41)
Commitments	4.5	35.0	(87)	4.5	35.0	(87)

In 2008 3Q, investment in fixed assets was required for continued construction of drilling rigs and to prepare rigs for deployment to México. Xtreme Coil's rig build program increased in 2008 3Q from 2008 2Q when we secured additional financing.

Capital expenditure levels were similar for 2008 3Q and 2007 3Q. However, for the nine months ended September 30, 2008 capital expenditures were 41 percent lower than for the same period in 2007 due to a larger capital expenditures program during 2007.

For 2008 3Q, compared to 2008 2Q, capital expenditures increased to \$21.8 million (2007 2Q - \$15.1 million), and commitments reduced to \$4.5 million (2007 2Q - \$10.7 million). We exited the quarter with 15 rigs completed and early in 2008 4Q completed one more rig. To preserve cash for ongoing operations, we have interrupted Xtreme Coil's 2008 capital expenditures related to completing the two remaining drilling rigs to prudently manage our balance sheet.

Xtreme Coil will reinvest cash flow from operations to fund future capital requirements or to reduce debt.

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 September 30, 2008, Xtreme Coil was in compliance with the covenants.

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

Payments due by period

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years
Capital lease obligations	90	78	12	–
Operating leases	2,016	637	830	549
Revolving credit facility	58,188	–	–	58,188
Commitments	4,500	4,500	–	–
Total contractual obligations	64,794	5,215	842	58,737

In 2008 2Q, Xtreme Coil entered into an agreement for new credit facilities, extending the revolving facility until May 2009. Xtreme Coil's financial statements include an amount for current portion of long-term debt, representing the portion that would become due within one year if the bank did not renew the facility (see note 7). The above table is presented on the basis of the revolving facility being renewed.

Segmented Information

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

	Three months ended 2008 Sep 30				Three months ended 2007 Sep 30		
	Canada	United States	México	Total	Canada	United States	Total
Revenue	1,306	18,465	6,557	26,328	1,203	8,371	9,574
Operating days	74	818	55	943	71	327	398
Revenue (per day)	17.6	22.6	119.2	27.8	16.9	25.6	24.1
	Nine months ended 2008 Sep 30				Nine months ended 2007 Sep 30		
	Canada	United States	México	Total	Canada	United States	Total
Revenue	3,783	38,850	6,557	49,190	2,781	16,998	19,779
Operating days	200	1,744	55	1,999	143	770	913
Revenue (per day)	18.9	22.3	119.2	24.6	19.4	22.1	21.7

During 2008 3Q, Xtreme Coil commenced drilling operations in México and transferred the two Canadian rigs to that region. This reduced expectations for 2008 3Q revenue from drilling operations in Canada. We anticipate opportunities in México will exceed those that may have been possible in Canada and no revenue from drilling operations is expected for Canada in 2008 4Q. Included in 2008 3Q revenue is an amount earned for mobilizing most of the five rigs that were either in México or in transit to México on September 30, 2008.

Outstanding Common Shares

	2008 Sep 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	11
Warrants exercised	666,666	666,667	–
Agent options exercised	–	6,315	–
Options exercised	171,200	208,800	(95)
Options exercised under share buy-back and cancelled	(60,000)	–	–
Common shares issued	6,650,762	6,241,782	7
Common shares, end of period	40,616,169	33,965,407	20

As at September 30, 2008, Xtreme Coil had outstanding 2,504,000 (2007 3Q – 1,964,200) options to purchase common shares at a weighted average exercise price of \$5.89 per share (2007 3Q – \$4.51).

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 November 10, 2008 was \$207.5 million (40,726,169 common shares). The aggregate effect of adding the previously described options and warrants would increase Xtreme Coil's outstanding common shares to 45,323,169.

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 September 30, 2008.

Based on these evaluations, the CEO and CFO have concluded Xtreme Coil's DC&P are designed and operating effectively to provide reasonable assurance material information relating to the company, including its consolidated subsidiaries, is made known to them by others within those entities. They have also concluded 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 standardized meanings 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 others.

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 fleet of 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 activities are financed or taxed, as well as other expenses 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 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 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 costs 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 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 Xtreme Coil's consolidated financial statements.

Sections 3862 and 3863, *Financial Instruments – Disclosure and Presentation*, revise and enhance disclosure requirements, and carrying forward, unchanged, 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 10. 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 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 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 evaluating disclosure and presentation requirements of the new standard.

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 are beyond our control. The risks discussed herein do not comprise an exhaustive list of all possible risks.

When significant assets were under construction and an aggressive building program was underway, Xtreme Coil was dependent on suppliers to deliver equipment on schedule and to meet required quality standards. Failure of suppliers in any aspect of the equipment building program severely impacted Xtreme Coil's planned expansion of operations and retention of customers. Issues of poor quality standards from suppliers can adversely affect Xtreme Coil while equipment is operating in terms of financial performance, reputation, and retention of customers.

Xtreme Coil accounts for, and reports all, activities in Canadian dollars. Certain contracts are denominated in United States dollars and Mexican pesos 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 when needed. Demand is strong for highly 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.

As Xtreme Coil has commenced operations in foreign countries, including the United States and México, it is exposed to the economic and political policies and business environments of those countries.

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, and international trade barriers or disputes, as well as fuel and environmental conservation.

Readers are referred to Xtreme Coil's Annual Information Form for additional discussion of risks and uncertainties.

Outlook

Xtreme Coil's business strategy focuses 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 achieved with coiled tubing. Xtreme Coil's leading-edge coiled tubing drilling technology has application to a broad spectrum of crude oil and natural gas exploration and development programs in the United States, México, Canada and other oil producing regions of the world.

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 are expanding 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 up to 3-1/2 inch coil to depths of up to 3,000 meters (approximately 10,000 feet) and 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 formations.

During 2008 2Q and 3Q, we expanded marketing of long-term contracts for Xtreme Coil's drilling rigs beyond the United States and Canada by signing six new long-term contracts for drilling rigs for deployment to operations 365 days per year in México. Further, Xtreme Coil signed a letter of intent with the same customer who intends to contract a seventh rig during 2009. Early in 2008 4Q, the sixth rig began moving to México. Contract negotiations with existing and potential new customers are ongoing.

Since the close of 2008 3Q, Xtreme Coil has completed 16 Coil Over Top Drive[®] rigs. While we generally expect the improved operating results achieved in 2008 3Q to continue, some rigs may not maintain the strong utilization levels experienced in this period. Particularly in the United States, gaps in drilling activity may occur when certain rigs operate under shorter term contracts. Since two rigs from Canada were

relocated to México, we do not expect changes in the Canadian drilling market will directly impact Xtreme Coil's financial and operating results in the near future.

Current economic uncertainty involving credit and equity markets, volatile commodity prices and E&P capital programs, impact Xtreme Coil's activity levels. We are seeing signs of weaker drilling market conditions in the United States. In response we will continue to market the potential cost advantages of our COTD™ drilling rigs.

In 2008 4Q, we have temporarily suspended Xtreme Coil's rig construction program to conserve capital. As Xtreme Coil successfully negotiates new contracts, we are prepared to build additional Coil Over Top Drive® drilling rigs. We are actively pursuing global energy projects where contracts involving several of our rigs would have the potential to achieve high utilization and strong revenue.

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 +1 403.262 9500), visit Xtreme Coil's website www.xtremecoildrilling.com or e-mail ir@xtremecoil.com.

Consolidated Balance Sheets

(\$ thousand)

<i>(unaudited)</i>	2008 Sep 30	2007 Dec 31
Assets		
Current assets		
Cash and cash equivalents	\$ —	\$ 383
Accounts receivable	34,591	13,039
Prepaid expenses	600	1,311
Inventory <i>(note 4)</i>	764	335
	35,955	15,068
Future income tax	5,609	4,530
Equipment <i>(note 5)</i>	231,392	188,913
Intangible assets <i>(note 6)</i>	4,871	4,953
Goodwill <i>(note 8)</i>	1,630	—
	\$ 279,457	\$ 213,464
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness <i>(note 7a)</i>	948	—
Accounts payable and accrued liabilities	16,969	19,877
Current portion of obligations under capital leases	78	78
Current portion of long-term debt <i>(note 7b)</i>	4,813	5,104
	22,808	25,059
Long-term liabilities		
Obligations under capital leases	12	73
Long-term debt, net of financing cost <i>(note 7b)</i>	52,944	29,896
	75,764	55,028
Shareholders' Equity		
Share capital <i>(note 9)</i>	207,132	162,514
Warrants <i>(note 8)</i>	1,630	1,235
Contributed surplus <i>(note 9b)</i>	3,077	3,066
Deficit	(8,146)	(8,379)
	203,693	158,436
	\$ 279,457	\$ 213,464

Commitments *(note 11)*

See accompanying notes to the consolidated financial statements

On behalf of the board of directors,Signed "Marc Staniloff"
DirectorSigned "David Tuer"
Director

Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit

(\$ thousand except share and per share data)

<i>(unaudited)</i>	Three Months ended 2008 Sep 30	Three Months ended 2007 Sep 30	Nine Months ended 2008 Sep 30	Nine Months ended 2007 Sep- 30
Revenue	\$ 26,328	\$ 9,574	\$ 49,190	\$ 19,779
Expenses				
Operating expenses	18,178	9,053	35,705	18,240
Selling, general and administrative	2,251	863	4,617	2,901
Depreciation of capital assets	2,293	1,012	5,410	2,013
Amortization of intangibles	68	65	202	170
Stock-based compensation	420	142	720	415
Foreign exchange loss (gain)	309	189	231	503
Loss on sale of equipment	38	–	38	–
Interest on long-term debt and capital leases	904	133	2,003	228
Interest (income)	(6)	(37)	(22)	(634)
Net income (loss) before tax	1,873	(1,846)	286	(4,057)
Future tax expense (recovery)	595	(508)	53	(1,058)
Net income (loss) for the period and comprehensive income (loss)	1,278	(1,338)	233	(2,999)
Deficit, beginning of period	(9,424)	(6,837)	(8,379)	(5,176)
Deficit, end of period	\$ (8,146)	(8,175)	\$ (8,146)	(8,175)
Net income (loss) per common share – basic and diluted	\$ 0.03	\$ (0.04)	\$ 0.01	\$ (0.09)
Weighted average number of common shares – basic <i>(note 9e)</i>	40,559,647	33,797,554	37,859,072	32,699,437
Weighted average number of common shares – diluted <i>(note 9e)</i>	41,491,684	35,653,479	38,875,260	34,773,325

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

(\$ thousand)

<i>(unaudited)</i>	Three Months ended 2008 Sep 30	Three Months ended 2007 Sep 30	Nine Months ended 2008 Sep 30	Nine Months ended 2007 Sep 30
Cash provided by (used in) operating activities				
Net income (loss) for the period	\$ 1,278	\$ (1,338)	\$ 233	\$ (2,999)
Items not affecting cash:				
Depreciation and amortization	2,361	1,059	5,612	2,163
Stock-based compensation	420	142	720	415
Loss on sale of equipment	38	—	38	—
Amortization of financing cost	153	—	206	—
Unrealized foreign exchange loss (gain)	294	136	294	198
Future income tax	595	(508)	53	(1,058)
	5,139	(509)	7,156	(1,279)
Changes in non-cash operating working capital	(21,952)	4,075	(22,023)	(3,509)
	(16,813)	4,584	(14,867)	(4,788)
Financing activities				
Proceeds from shares issued	—	627	35,030	56,942
Share issue costs	(42)	—	(890)	(3,440)
Proceeds from exercise of stock options	300	—	300	—
Proceeds from other long-term liabilities	—	17,000	4,080	17,000
Proceeds from long-term debt	24,337	—	22,757	—
Capital lease payments	(21)	(20)	(61)	(46)
	24,574	17,607	61,216	70,456
Investing activities				
Purchase of equipment	(21,786)	(20,263)	(47,889)	(81,209)
Proceeds from sale of equipment to the joint venture	—	—	5,873	—
Increase in intangibles	(64)	(105)	(120)	(187)
Changes in non-cash working capital relating to capital items	3,525	(3,665)	(5,544)	1,757
	(18,325)	(24,033)	(47,680)	(83,153)
Increase (decrease) in cash and cash equivalents during the period	(10,564)	(11,010)	(1,331)	(17,485)
Cash and cash equivalents, beginning of period	9,616	\$ 10,265	383	\$ 16,740
Cash and cash equivalents (bank indebtedness), end of period	\$ (948)	\$ (745)	\$ (948)	\$ (745)
Supplemental disclosure of cash flow information				
Interest received	\$ 5	\$ 54	\$ 22	\$ 646
Interest paid	434	133	1,481	227
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 nine months ended September 30, 2008

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

1. Nature of operations

Xtreme Coil Drilling Corp. ("Xtreme Coil", the "Corporation") was incorporated May 24, 2005 under the Business Corporations Act of Alberta. Xtreme Coil develops and operates coiled tubing drilling rigs using new patented and patent-pending coil rig designs and technology. On completion of the Coil Over Top Drive[®] ("COTDTM") drilling rigs, Xtreme Coil currently contracts drilling services to oil and natural gas exploration and development companies in the United States and Mexico. Xtreme Coil's head office is in Calgary, Alberta, Canada. The Corporation has field offices in Casper and Cheyenne, Wyoming, United States, near Poza Rica in the state of Veracruz, Mexico and has established an office in Houston, Texas, United States.

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. Except as described below, these interim statements for the nine months ended September 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 costs 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 and future accounting standards

– 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 Corporation's consolidated financial statements.

Sections 3862 and 3863, *Financial Instruments – Disclosures and Presentation*, revising and enhancing disclosure requirements, and carrying forward, unchanged, 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 10 – Financial Instruments). 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 nine months ended September 30, 2008

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

3. Changes in accounting policies and future accounting standards (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 Sep 30	2007 Dec 31
Coiled tubing inventory	\$ 764	\$ 335

Coiled tubing 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 in operating expenses during 2008 3Q was \$40 (2007 3Q – \$14).

5. Equipment

	2008 Sep 30			2007 Dec 31	
	Cost	Accumulated Amortization	Net book value	Net book value	Net book value
Office and shop equipment	\$ 2,246	\$ 545	\$ 1,701	\$ 1,366	\$ 1,366
Leasehold improvements	66	33	33	42	42
Vehicles	1,602	430	1,172	643	643
Trucking equipment	3,064	648	2,416	2,999	2,999
Drilling equipment	230,218	4,148	226,070	183,863	183,863
	\$ 237,196	\$ 5,804	\$ 231,392	\$ 188,913	\$ 188,913

Xtreme Coil operates Coil Over Top Drive[®] drilling rigs under contract and plans to build more drilling rigs under contract with third parties. Xtreme Coil depreciates drilling rigs from the time the rigs commence operations.

6. Intangible assets

	2008 Sep 30			2007 Dec 31	
	Cost	Accumulated amortization	Net book value	Net book value	Net book value
Patents	\$ 5,524	\$ 653	\$ 4,871	\$ 4,953	\$ 4,953

The United States Patent and Trademark office has now issued four patents to Xtreme Coil. The third and fourth patents were issued in June and July 2008, respectively, 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 September 30, 2008, Xtreme Coil was in compliance with the covenants. Funds drawn under the credit facilities may be denominated in either Canadian or United States funds, with the limits of the facilities being the Canadian funds equivalent.

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 3Q, the effective average interest rate was 6.25 percent.

Xtreme Coil Drilling Corp.

Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 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 Sep 30	2007 Dec 31
Revolving credit facility	\$ 58,188	\$ 35,000
Less: current portion of long-term debt	(4,813)	(5,104)
	\$ 53,375	\$ 29,896
Less : financing cost related to long term debt	(431)	-
	\$ 52,944	\$ 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 3Q was approximately 6.25 percent (2007 3Q – 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 September 30, 2008, \$19,688 (2007 3Q – nil) Canadian funds equivalent was denominated in United States funds.

At September 30, 2008, \$4,813 (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 3Q was \$653 (2007 3Q – \$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.

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 nine months ended September 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 Sep 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	34,100	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	171,200	370	208,800	696
Exercised options purchased and cancelled	(60,000)	(389)	–	–
Future income tax effect of common shares issue cost at expected tax rates	–	237	–	1,036
	6,650,762	44,318	6,241,782	56,601
Balance before receivable from shareholder, end of period	40,616,169	207,132	33,965,407	162,814
Receivable from shareholder	–	–	–	(300)
Balance, end of period	40,616,169	\$ 207,132	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 \$890 resulted in net proceeds of \$34,100.

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 – Purchase of Joint Venture).

b. Contributed surplus

	2008 Sep 30	2007 Dec 31
Contributed surplus - opening balance	\$ 3,066	\$ 1,478
Stock-based compensation	807	662
Warrants cancelled on purchase of joint venture	1,235	–
Warrants vested upon patent issuance	–	2,990
Contributed surplus transferred on exercise of options and warrants	(2,031)	(2,064)
Contributed surplus – ending balance	\$ 3,077	\$ 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.

Xtreme Coil Drilling Corp.

Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2008

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

9. Share capital (continued)**c. Stock options outstanding (continued)**

During 2008 3Q, the board of directors approved granting of the following options to purchase common shares: 350,000 at an exercise price of \$9.49; 216,000 at an exercise price of \$9.29; 56,000 at an exercise price of \$8.65; and 70,000 at an exercise price of \$7.85. During 2008 3Q, 160,000 options were exercised and 57,000 options were cancelled. As at September 30, 2008, a total of 2,504,000 (2007 3Q – 1,964,200) options to purchase common shares were outstanding. During the three months ended September 30, 2008, a compensation expense of \$420 (2007 3Q – \$142) relating to these options was recognized as part of stock-based compensation expense and credited to contributed surplus.

Xtreme Coil uses the fair value method of accounting for stock-based compensation. The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants assuming no dividends are paid on common shares, a risk-free interest rate ranging from 2.6 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 September 30, 2008.

	2008 Sep 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	805,000	8.96	187,000	9.91
Exercised	(171,200)	3.00	(215,115)	3.04
Expired/forfeited	(142,000)	8.54	(45,001)	10.09
Outstanding, end of period	2,504,000	5.89	2,012,200	4.60
Options exercisable, end of period	1,442,195	\$ 3.89	1,020,866	3.74

		Options outstanding		Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$3.00 – \$ 4.50	1,365,000	1.9 yrs	\$ 3.11	1,267,864	\$ 3.08
\$7.00 – \$10.50	1,010,500	4.4 yrs	8.91	99,332	8.27
\$10.51 – \$13.52	128,500	3.0 yrs	11.71	74,999	11.80
	2,504,000	3.0 yrs	\$ 5.89	1,442,195	\$ 3.89

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 nine months ended September 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 period.

	2008 Sep 30	2007 Dec 31
Weighted average common shares outstanding – basic	40,559,647	33,018,531
Effect of stock options and warrants	932,037	1,970,737
Weighted average common shares outstanding – diluted	41,491,684	34,989,268

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 México and therefore translates revenue and expenses that are denominated in US dollars and Mexican pesos into Canadian dollars during the period. In addition, monetary assets and liabilities denominated in foreign currencies are translated at the current rate at the balance sheet date and any foreign exchange gains or losses are included in income.

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 3Q, an increase or decrease of one percent in the effective interest rate would change net income by approximately \$98.

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 because the majority of 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 committed rig build program and to fund working capital requirements. Xtreme Coil anticipates the current level of financial capacity will be sufficient to fund commitments related to the rig build program and to fund working capital.

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 \$4.5 million which these consolidated financial statements do not reflect.

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 Drilling Corp.

Notes to the unaudited Consolidated Financial Statements
For the three and nine months ended September 30, 2008

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

12. Capital management (continued)

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 Sep 30	2007 Dec 31
Shareholders' equity	\$ 203,693	\$ 158,436
Long-term debt	58,188	35,000
Add: bank indebtedness (cash and cash equivalents)	948	(383)
Capital under management	\$ 262,829	\$ 193,053
Net debt as a percentage of capital under management	22.5	17.9
Net debt to equity ratio	0.3 : 1	0.2 : 1

Xtreme Coil is subject to externally imposed minimum capital requirements relating to existing bank credit facilities. During 2008 3Q, 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 Sep 30	2007 Dec 31
Canada	\$ 57,105	\$ 95,460
United States	125,582	93,453
Mexico	48,705	-
Total	\$ 231,392	\$ 188,913

	Three months ended 2008 Sep 30	Three months ended 2007 Sep 30	Nine months ended 2008 Sep 30	Nine months ended 2007 Sep 30
Revenue				
Canada	\$ 1,306	\$ 1,203	\$ 3,783	\$ 2,781
United States	18,465	8,371	38,850	16,998
Mexico	6,557	-	6,557	-
Total	\$ 26,328	\$ 9,574	\$ 49,190	\$ 19,779

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. Three customers of Xtreme Coil's drilling operations represent revenue of \$34.1 million (2007 3Q – three customers – \$15.2 million).

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 currently contracts in the United States, México and markets in other international regions, drill using larger coil or conventional drill pipe 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".

For further information please contact

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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*⁵
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
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.
Calgary, AB

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

Officers

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

Brian Wigington
Corporate Controller

Ann Beattie
Corporate Secretary
Corporate and Investor Communication

Corporate and Investor Relations

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Solicitors

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Calgary, AB

Stock Exchange and Symbol

TSX, "XDC"

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Joint Venture

Coil-X Drilling Systems Limited
Calgary, Alberta

- ¹ *Chairman of the Board*
- ² *Audit Committee*
- ³ *Compensation Committee*
- ⁴ *Governance & Nominating Ctte*
- ⁵ *Health, Safety, Environment Ctte*

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.