ANNUAL INFORMATION FORM

Year ended December 31, 2011

March 9, 2012

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FORWARD LOOKING STATEMENTS

This Annual Information Form, or documents incorporated herein, may include certain information, statements and assumptions regarding management's view of future events, expectations, plans, initiatives or prospects constituting forward-looking statements within the meaning of securities laws (collectively, "**forward-looking statements**"). Forward-looking statements may relate to the future outlook for Xtreme and anticipated events or results and may include statements related to current and anticipated future contracts; marketing; commodity pricing; foreign currency exchange rates; operating expenses; fleet expansion; rig construction, modification, completion, deployment, utilization or performance; financing; capital expenditures; potential outcomes relating to collection risks, claims and litigation; and other guidance provided throughout this AIF.

These statements are based on certain factors and assumptions including, but not limited to: the assessment of current and projected future drilling, well servicing and related operations; ongoing and future strategic business initiatives; negotiations and opportunities to enter, complete or extend contracts; the availability and cost of financing; foreign currency exchange rates; timing and magnitude of capital expenditures; expenses and other variables affecting equipment operations, modification and construction; the ability and commitment of vendors to provide component equipment, services and supplies, including labor, in a cost-effective and timely manner; the issuance of applied-for patents and protection of proprietary technology; changes in tax structures and rates; and government regulations.

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. In preparing this AIF, management considered the following risk factors, among others: the cyclical nature of drilling and well servicing market demand; fluctuations in crude oil and natural gas prices, supply and demand; fluctuation in foreign currency exchange and interest rates; access to credit and to equity markets; the availability and retention of qualified personnel; vendor-provided equipment components and services; financial stability of Xtreme’s customers; current and future applications for Xtreme’s proprietary technology; regulatory and economic conditions; environmental constraints; changes to government legislation; international trade barriers or restrictions; global political or military events; and competition from other drilling and well servicing contractors for customers.

Management’s assumptions included consideration of the following: compliance with the terms of the Corporation’s credit facility; ongoing access to key supplies required to continue operating and maintaining equipment, including fuel; continued successful performance of drilling, well servicing 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 and well servicing opportunities; willingness and ability of customers to remit amounts owing to Xtreme in accordance with normal industry practices; and management of accounts receivable in direct relation to revenue generation.

Information contained in this AIF about prospective results of operations, financial position or cash provided by 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 information contained in this AIF is not appropriate for purposes other than for which it is disclosed herein. Although Xtreme considers the expectations reflected in these forward-looking statements and the assumptions used to prepare this AIF reasonable based on information available to management as of March 9, 2012, readers should not place undue reliance on the statements because ultimately the assumptions may prove to be incorrect. Except as required pursuant to applicable securities laws, Xtreme disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking statements or otherwise.

CERTAIN REFERENCES & DEFINITIONS

The Corporation prepares its financial statements in Canadian dollars and all dollar amounts set forth in this Annual Information Form are in Canadian dollars ($CAD), unless otherwise indicated.

The Corporation's website is http://www.xtremecoil.com/.

In this AIF, the following words, references and phrases have the following meanings, unless the context otherwise requires.

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**AIF**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this Annual Information Form;

"**Common Shares**" means common shares in the capital of the Corporation;

"**Subsidiary**" means, in relation to any person, body corporate, partnership, joint venture, association or other entity of which 50 percent or more of the total voting power of shares or units of ownership or beneficial interest entitled to vote in the election of directors (or members of a comparable governing body) is owned or controlled, directly or indirectly, by such person;

"**TSX**" means the Toronto Stock Exchange;

"**TSXV**" means the TSX Venture Exchange; and

"**Xtreme**" or the "**Corporation**", "**we**", "**us**", "**our**" and similar expressions mean and refer to Xtreme Coil Drilling Corp., a company amalgamated under the laws of the Province of Alberta, either alone or together with any Subsidiary.

Unless otherwise stated, the information contained herein is given as at the date set forth at the top of this AIF.

XTREME COIL DRILLING CORP.

General

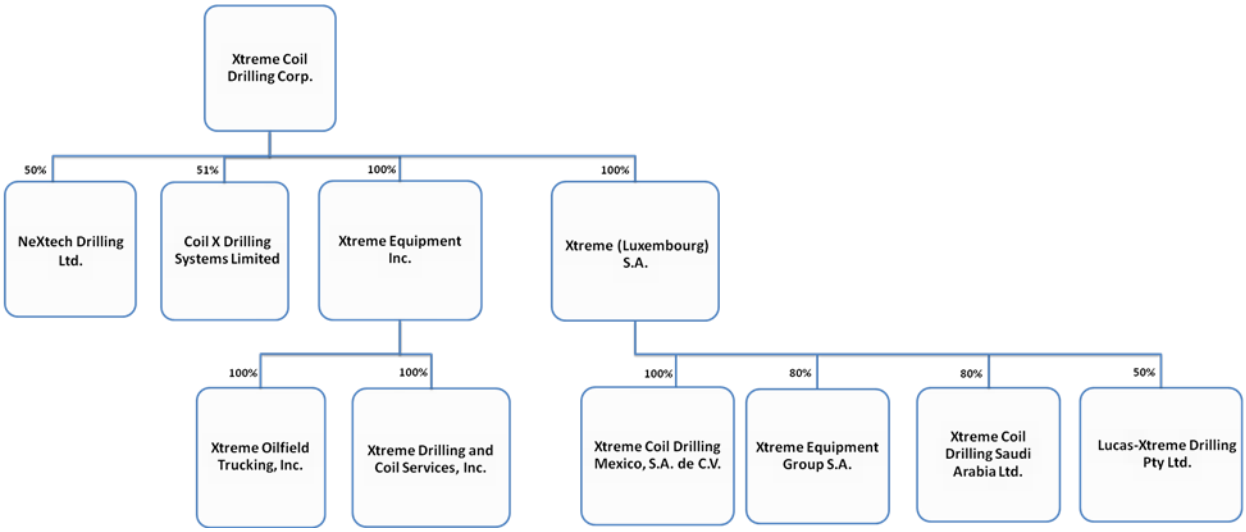
The Corporation was formed on May 1, 2006 by the amalgamation under the ABCA of Norquay Capital Ltd. and Xtreme Coil Drilling Corp. on the terms and conditions set forth in the amended and restated amalgamation agreement dated March 20, 2006 and approved at meetings of the shareholders of each entity held on April 20, 2006. On May 4, 2006, the Common Shares commenced trading on the TSXV under the symbol "XDC". On September 5, 2006, the Common Shares began trading on the TSX under the symbol "XDC" and were de-listed from the TSXV.

There have been no material amendments to the Corporation's constating documents. In September 2011, Xtreme began operating under the brand name "Xtreme Drilling and Coil Services". It is proposed that the shareholders of the Corporation approve articles of amendment to change the Corporation's name from "Xtreme Coil Drilling Corp." to "Xtreme Drilling and Coil Services Corp." at the Annual and Special Meeting of Shareholders scheduled for April 18, 2012.

Xtreme's headquarters is in Houston, Texas, United States. The head office of the Corporation is located at #770, 340 – 12 Avenue SW in Calgary, Alberta, Canada T2R 1L5, and its registered office is located at 4300, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5. In 2011, the Corporation had regional offices and/or field support locations in the United States near Greeley, Colorado, Williston, North Dakota and Casper, Wyoming; and in Saudi Arabia near Al Khobar.

Intercorporate Relationships

The following diagram sets out the current organizational structure of the Corporation, as well as the name, the percentage of voting securities beneficially owned, or controlled or directed, directly or indirectly, by the Corporation and the jurisdiction of incorporation, continuance or formation of the Corporation's material Subsidiaries as at the date hereof.



Name	Jurisdiction of Incorporation, Continuance or Formation
Xtreme Coil Drilling Corp.	Province of Alberta
NeXtech Drilling Ltd. [1]	Province of Alberta
Coil-X Drilling Systems Limited [2]	Province of Alberta
Xtreme Equipment, Inc.	State of Delaware
Xtreme (Luxembourg) S.A.	Grand Duchy of Luxembourg
Xtreme Oilfield Trucking, Inc.	State of Wyoming
Xtreme Drilling and Coil Services, Inc. [3]	State of Texas
Xtreme Coil Drilling Mexico, S.A. de C.V.	Tihuatlan, Veracruz, México

Xtreme Equipment Group S.A.	Grand Duchy of Luxembourg
Xtreme Coil Drilling Saudi Arabia Ltd.	Kingdom of Saudi Arabia
Lucas-Xtreme Drilling Pty Ltd.	Commonwealth of Australia

Notes:
[1] NeXtech Drilling Ltd. was formerly known as 1461160 Alberta Ltd., and has had no commercial operations since incorporation to the date of this AIF.
[2] Coil-X Drilling Systems Limited has had no active operations since incorporation to the date of this AIF.
[3] Xtreme Drilling and Coil Services, Inc. was formerly known as Xtreme Coil Drilling Corporation.

GENERAL DEVELOPMENT OF THE BUSINESS

Xtreme designs, builds, owns and operates a fleet of proprietary, high specification drilling rigs and coiled tubing well servicing units. Xtreme offers leading-edge in-house advances in technology and methodologies to achieve deeper, faster and safer operations.

At the date of this AIF, Xtreme held 37 issued patents and more than 60 patent-related applications in progress in the United States, Canada and other worldwide jurisdictions. The Corporation's issued and applied-for patents collectively cover technologies for drilling with coiled tubing and conventional drill pipe, as well as certain rig and equipment transportation methods and methods for coiled tubing drilling.

Xtreme's XDR drilling rigs are focused in the Rocky Mountain region with a growing presence in the Bakken and Niobrara unconventional shale plays. The rig fleet is one of the youngest high specification fleets in the land drilling industry and is ideally suited for unconventional resource plays. These rigs have consistently demonstrated optimized drilling and mobilization efficiencies through AC equipment, top drives, high horsepower mud pumps, integrated skidding packages, small footprint design and minimized crane-less loads. The Corporation currently operates 16 XDR rigs under contract in Canada and the United States.

Xtreme's large diameter XSR coil tubing service rigs are ideally suited for cleanouts, re-entry, wellbore extensions, fracturing, production logging, perforating, stimulations and other complex interventions. These masted units utilize AC 200,000 lbs. injectors, proprietary coil reel trailers and twin 1,000 hp pumps. Five new service rigs are projected to be deployed in 2012, and two service rigs are currently operating under contract in Saudi Arabia.

A detailed description of the historical development of the business of Xtreme since December 31, 2008 is outlined below.

Three Year History

2009

On April 2, 2009, Xtreme formed a joint venture entity, 1461160 Alberta Ltd., owned 50 percent by Xtreme and 50 percent by a confidential partner. This joint venture entity has the right to use Xtreme's technology for the purchase and operation of drilling rigs in the hard rock mining industry.

On May 29, 2009, the Corporation executed the second amendment to its May 30, 2008 agreement for credit facilities ("**Credit Agreement**"). The amendment extended the Corporation's credit facilities, continuing its $15.0 million operating loan facility and converting its $60.0 million revolving credit facility into an extendible term loan. The amended Tranche B facility required minimum principal payments based on a five-year amortization of the outstanding balance of $59.7 million at May 29, 2009. Quarterly installments in arrears began June 30, 2009.

On June 30, 2009, Xtreme completed an equity offering under a bought deal arrangement which raised net proceeds of $43.4 million on issuance of 11,845,000 Common Shares at a price of $3.90 per Common Share. At the same time, the Corporation undertook a non-brokered private placement with net proceeds of $1.0 million on issuance of 258,500 Common Shares at a price of $3.90 per Common Share.

On November 20, 2009, the Corporation executed the third amendment to its Credit Agreement. The amendment allowed the exclusion of rigs operated in the Middle East from the asset value used in calculating the borrowing limits under Tranche B.

On November 20, 2009, Xtreme entered into an agreement with Baker Hughes, in which Baker Hughes agreed to fund up to approximately $5.99 million in customization costs for an XDR 200 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 agreement, the repayment of the loan is USD$2,000 per day for each day the rig is earning day rate, continuing until the earlier of the end such activity or the three-year term of the agreement. The loan is non-interest bearing and is secured by designated components on the customized rig. Pursuant to the agreement, Baker Hughes has preferential access to the rig throughout the term of the agreement. As at December 31, 2011, the Corporation had $3.992 million outstanding as advanced under this agreement.

At December 31, 2009, Xtreme had ten drilling rigs working under long-term contracts with Weatherford in the Chicontepec development project in the state of Veracruz, Mexico. The ten rigs working in Mexico had long-term contracts executed in September 2009. Six of the rigs had previously worked on this project beginning in 2008 and the four additional rigs commenced operations in 2009. The Corporation also had three drilling rigs working in the United States under contracts with a large independent oil and natural gas exploration and production company.

2010

On March 4, 2010, the Canadian financial institutions that provided the Corporation with its extendible term loan notified Xtreme, among other matters, that the stated the maturity date of its Credit Agreement had been extended to June 30, 2011, and the lenders would permit the Corporation to transfer two rigs to a Subsidiary for operations in Saudi Arabia.

On March 12, 2010, Xtreme announced a collaboration agreement to form a joint venture entity through a Subsidiary with Suhayl Abdul Mohsin Al Shoaibi & Sons Holding Company Limited and its affiliates ("**Shoaibi Group**") related to developing new business in the Middle East and North Africa. Xtreme owns 80 percent and Shoaibi Group owns 20 percent of the new companies. This business collaboration is intended to guide the creation of joint venture companies to promote and provide certain Xtreme services and products through Shoaibi Group's operations and market expertise in Saudi Arabia and Algeria, targeting national oil companies and their global affiliates as well as to other companies operating in Saudi Arabia, Bahrain and Algeria.

On March 12, 2010, an affiliate of Baker Hughes awarded a two-year contract to Xtreme. Xtreme Coil Drilling Saudi Arabia Limited was assigned this contract on finalization of the remainder of the joint venture details. The long-term contract requires two fit-for-purpose drilling rigs to perform under-balanced coiled tubing drilling on deep horizontal re-entry wells in the natural gas fields located in southern Saudi Arabia. The two-rig contract has an option for an extension of one year as well as the potential to increase the number of rigs deployed.

On March 12, 2010, Xtreme announced approval for the placement of orders for long lead components for two XDR 300 rigs and two XDR 400 rigs with the objective of shortening the build times for such rigs. On receipt of the components, the Corporation expected to achieve quicker delivery times and be better positioned to meet the expectations of operators requiring additional Xtreme rigs for their projects. Combined with the capital expenditures previously committed to customize the second rig for Saudi Arabia and Xtreme's ongoing sustaining capital expenditure requirements, Xtreme's capital expenditure estimates for the first half of 2010 were approximately $18 million. The Corporation expected additional capital expenditures of approximately $52 million would be required to complete the construction of the four rigs. To address the capacity constraints Xtreme faced with its high fleet utilization rate, the board of directors approved the additional expenditures, subject to their review and subsequent approval of any proposed financing arrangement. In addition, further capital plans were still in development for the joint venture announced for the Saudi Arabia rigs.

On March 17, 2010, Xtreme received termination notifications from Weatherford with respect to its operations in the Chicontepec oil development project in Mexico. On March 18, 2010, due to uncertainty in terms of rig activity in Mexico, Xtreme suspended, without penalty, orders for certain long-lead time capital components until rig activity levels could be determined with more certainty. Following Weatherford's termination of the drilling contracts in Mexico, the Corporation focused on stacking, transporting and redeploying the ten contracted rigs into the United States. During the remainder of 2010, most of the drilling rigs from Mexico were redeployed either with existing customers or under contracts with new customers. The Corporation's business strategy focused redeployment on diversifying and broadening Xtreme's customer and geographic base in the United States. As Xtreme moved drilling rigs from Mexico, drilling market demand in the United States was beginning to strengthen.

As well, there was a discernible US drilling market shift toward unconventional resource plays for which Xtreme's high capacity drilling rigs are ideally suited.

On June 21, 2010, Xtreme executed a fourth amending agreement to its Credit Agreement. This amending agreement had an effective date of March 31, 2010, and, in addition to other provisions, ratified the previously announced approval by the Corporation's lenders to extend the term date of the Corporation's Tranche B long-term debt facility to June 30, 2011. A further term of the amending agreement permitted the Corporation to transfer two drilling rigs into a Subsidiary. On June 29, 2010, the Corporation executed a letter agreement extending the term date of the Corporation's Tranche B long-term debt facility to September 30, 2011.

On June 30, 2010, the Corporation, through a Subsidiary, and A. J. Lucas Coal Technologies Pty Ltd., established the joint venture company Lucas-Xtreme Drilling Pty Ltd. in Australia to focus on development of business in the Australian coal seam gas business utilizing Xtreme's proprietary drilling rig designs. Both parties to the joint venture believe these rigs could contribute added value to these potential projects. There have been no new developments in Australia regarding the proposed drilling programs and related tenders being pursued by Xtreme in cooperation with a joint venture partner.

The first fit-for-purpose deep coil re-entry rig began drilling in Saudi Arabia in August 2010 and the second model of the same drilling rig began working in September 2010. Both rigs achieved new efficiencies and superior performance during 2010 and continuing through 2011. Several leading-edge advancements in drilling techniques have delivered new benchmark performance for the Middle East's deep horizontal under-balanced coiled tubing re-entry wells by significantly increasing the rate of penetration and the footage drilled per day.

On September 30, 2010, Xtreme executed a fifth amending agreement to its Credit Agreement revising the long-term debt facility term date and defining the maturity date to be one year following the term date. Accordingly, the Tranche B term date was changed to June 30, 2011 (and a maturity date of June 30, 2012), or such other date as may be agreed to by the lenders upon delivery of an extension request by Xtreme. In addition, this amendment replaced certain covenants.

On October 21, 2010, the Corporation signed a long-term contract for the provision of a new build XDR 500 drilling rig to commence operations in the Bakken unconventional shale play in the second quarter of 2011. Furthermore, on March 11, 2011, the Corporation signed another long-term contract for the provision of a new build XDR 500 drilling rig to commence operations in the Niobrara unconventional shale play in the third quarter of 2011.

2011

In January 2011, Xtreme executed a collaboration agreement with a company developing downhole technology for drilling hard rock for the geothermal industry. While there have been no developments through the end of 2011, this may provide future alternatives for crossover of technologies with application to both mining and geothermal hard rock drilling.

On January 7, 2011, Xtreme announced that it renewed its normal course issuer bid (the "**Bid**") to purchase Common Shares for cancellation from January 11, 2011 to January 10, 2012. .

On February, 25, 2011, Xtreme agreed to purchase five masted coiled tubing services rigs. The service rigs were upgraded for field operations beginning in the first quarter of 2012. Additionally, two XDR 200 rigs were undergoing conversion for well servicing work. The conversion of one of the rigs was suspended following the acquisition of the service rigs as the priority was to complete the modifications of these additional assets and to commence operations in the new well servicing business line. The service rigs and the XDR 200 rig conversion are intended for contracts involving re-entry, coiled tubing clean-outs, fracturing, wellbore extensions, production logging, perforating, stimulations and other well servicing work. The initial markets anticipated for these rigs were the Eagle Ford and Bakken unconventional shale plays. Modifications of these five rigs continued during the third and fourth quarter of 2011. Completion of the XSR rigs is anticipated during the first, second and third quarters of 2012 due to delays in obtaining high pressure pumps.

On March 14, 2011 Xtreme announced the phase one 2011 capital expenditures forecast of $59.0 million directed to equipment and fleet expansion, maintenance and ongoing operations. Maintenance and ongoing operations was allocated $10.5 million and expansion is expected to require $48.5 million.

On March 14, 2011, Xtreme executed a new term contract with an independent exploration and production company to provide a new-build XDR 500 rig for operations in the Niobrara shale. The Corporation also executed a new twelve-month contract for an XDR 400 rig working in Texas drilling Austin Chalk wells.

On May 9, 2011, the Corporation entered into an agreement with a syndicate of three lenders for a new credit facility (the "**New Credit Facility**"). The New Credit Facility consists of $15.0 million as a revolving operating loan facility to assist with financing general corporate and working capital requirements and $75.0 million as an extendible loan facility. The New Credit Facility is secured by the Corporation's North American rig assets and is provided on a one-year annually renewable term. If not renewed, both the revolving operating loan facility and the extendible loan facility convert to a two-year non-revolving term loan.

On June 1, 2011, Xtreme completed an equity offering under a bought deal arrangement resulting in the issuance of 12,190,000 Common Shares at a price of $4.75 per share for total gross proceeds of $57.9 million. At the same time, and included in the foregoing, the Corporation undertook a non-brokered private placement with issuance of 2,500,000 Common Shares at a price of $4.75 per Common Share.

On August 25, 2011, Matthew Porter was appointed chief financial officer, following the resignation of Dale Wilhelm. Mr. Wilhelm had been chief financial officer following the resignation of Elizabeth Wilkinson.

In August, 2011, the conversion of an XDR 200 to an XSR 200 was completed and the rig was mobilized to North Dakota for a two well field trial. The rig's initial operations were executed on a well with a tortuous well path and achieved the lock-up depth predicted by the simulation program. During the second well, the converted rig experienced a programmable logic control issue which resulted in concluding the job before completion. After field testing, Xtreme was able to make certain changes to the operating parameters of the PLC controls and is confident that the XSR 200 units to be deployed in 2012 will be fully capable of performing to modeled depths.

In September 2011, Xtreme implemented a global hotline for reporting allegations of unethical or illegal activity or compliance violations.

On September 9, 2011, Xtreme announced it would begin operating under the name "Xtreme Drilling and Coil Services" to reflect the Corporation's growth and evolution to include initiation of the new deep coil well services business line.

On November 4, 2011, Xtreme entered into an agreement with a syndicate of financial institutions to provide an increased credit facility of $150.0 million (the "**Expanded New Credit Facility**"), replacing the previous $90.0 million facility under the New Credit Facility. The Expanded New Credit Facility consists of $15.0 million as a revolving operating loan facility to assist with financing general corporate and working capital requirements and $135.0 million as an extendible loan facility to refinance existing bank debt and to provide working capital for capital expenditures focused primarily on new-build rig contracts.

On November 10, 2011, Thomas Wood was named chairman and chief executive officer for an interim period, and Richard Havinga was named president and chief operating officer, following the resignation of Rodney Uchytil as president and chief executive officer of Xtreme.

Due to the lower hook-load capacity and drawworks horsepower, Xtreme had limited success contracting XDR 200 rigs in the United States throughout 2011. One XDR 200 rig worked in Wyoming for most of 2011 and another was contracted in Mississippi for a four-month project. While the market for top drive, single AC electric rigs is not robust in the United States, there are opportunities to redeploy the XDR 200 rigs into the Canadian drilling market. The efficiencies delivered by this rig design are well understood and accepted as applicable to Canada's shallower and unconventional resource plays which are demonstrating demand for additional new technology rigs. In November 2011, Xtreme committed to two projects in Canada for three XDR 200 rigs and began deploying the rigs to Canada. Xtreme is pursuing opportunities to redeploy the remaining XDR 200 rig in Canada.

Xtreme's initial capital plans in 2006 called for the construction of eighteen drilling rigs. The Corporation temporarily suspended construction on the last two of these rigs in 2008 when economic uncertainty significantly decreased demand in the United States drilling market. As of the date of this AIF, Xtreme's 2012 capital forecast includes the construction of 5 new XDR 500 drilling rigs along with the 5 XSR 200 coil service rigs in progress. This will bring the total XDR fleet to 21 and XSR fleet to 8.

At December 31, 2011, Xtreme had an outstanding balance of $78.3 million on the extendible term loan, of which $0 was classified as current (at December 31, 2010 – $26.7 million, of which $11.6 million was classified as current). Interest expense on the extendible term loan during 2011 was $2.5 million (2010 – $1.8 million).

Recent Events - 2012

Xtreme did not renew its normal course issuer bid to purchase Common Shares in January 2012. There were no Common Shares purchased or cancelled from January 11, 2011 to January 10, 2012 pursuant to the Bid.

Capital spending totaled $111 million for 2011 and is anticipated to be approximately $70 million in 2012.

Effective January 1, 2012, the Company renegotiated three existing drilling contracts with a current customer. These XDR contracts were extended with pricing increases.

The first of six new XDR 500 drilling rigs began operations in January 2012 with the remaining new XDR rigs scheduled to commence operations on long term contracts throughout 2012.

In January 2012, the Company initiated drilling operations in Canada with three XDR rigs operating in Alberta. These rigs were moved to Canada from the United States in December of 2011. In addition, five new XDR deep coil service units will go to work in 2012, with the first unit commencing operations in February 2012.

In February 2012, the shareholders of the hard rock mining joint venture approved articles of amendment to change the company's name from "1461160 Alberta Ltd." to "NeXtech Drilling Ltd.". As of the date of this AIF, this joint venture entity has not commenced commercial operations.

In March 2012, Xtreme received a one year extension of its contract with an affiliate of Baker Hughes for the two XSR units drilling re-entry horizontal wells in Saudi Arabia that will run through the second quarter of 2013.

Xtreme's Expanded New Credit Facilities requires the Company to maintain certain financial covenants. Xtreme does not anticipate being in compliance with certain of these covenants at the end of the first quarter 2012. The projected unfulfilled covenant is a total funded debt to EBIDTA ratio. As of the date of this AIF, the Corporation has requested, and it is anticipated the lending syndicate will provide, a waiver in regards to covenant non-compliance in the first and second quarters of 2012.

Anticipated Changes in the Business of the Corporation

Other than as disclosed in this AIF, the Corporation does not anticipate material changes in its business during the balance of the 2012 financial year.

Significant Acquisitions and Dispositions

Xtreme did not complete any dispositions or acquisitions for which disclosure is required under Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") within or since the end of the most recently completed financial year.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

General

Xtreme designs, builds, owns and operates a fleet of high specification drilling rigs and coiled tubing well servicing units featuring the Corporation's leading-edge proprietary technology, which includes: AC high capacity coil

injectors, deep re-entry drilling capability, modular transportation systems and continuous integration of Xtreme's in-house advances in methodologies to achieve deeper, faster and safer operations.

The Corporation currently operates under contracts in Canada, the United States and Saudi Arabia. Xtreme continues to pursue and evaluate opportunities for projects inside and outside North America. Generally, these regions have relatively stable drilling demand compared to the United States and Canada, where drilling markets began their recovery early in 2010 from significantly depressed rig counts during late 2008 and throughout most of 2009.

There has been a shift in drilling demand to deep, unconventional resource plays for which deeper capacity rigs are well suited. As the length of the horizontal sections in shale wells has extended, Xtreme's technology offers alternatives for customers seeking to perform coiled tubing services in these well paths. The Corporation operates some of the deepest capacity coiled tubing rigs in the world capable of running larger diameter strings of coil to access the longer lateral lengths.

Operations

Following the expansion of its service offerings during 2011 and into 2012, Xtreme's present operations consist of two service lines: Drilling Services (XDR) and Coil Services (XSR). Currently, Xtreme has 13 XDR rigs and 2 XSR rigs operating in the United States, 3 XDR rigs operating in Canada, and 2 XSR rigs operating in Saudi Arabia.

Drilling Services (XDR)

In the United States, Xtreme contracts to drill primarily in the resource plays of the Williston Basin and the Greater Denver-Julesburg Basin. Xtreme's XDR 300, 400 and 500 rigs are designed for these deeper geological zones.

In Canada, Xtreme is targeting the Alberta Oil Sands along with the Western Sedimentary Basin. Xtreme's XDR 200 rigs are ideal for these wells as they are highly mobile and offer technological advantages over most competitors in that market.

As part of the previously announced 2012 capital build program Xtreme deployed the first of six planned XDR 500 rigs to the field in January 2012. This is the fifth XDR 500 rig in operation and brings the total available XDR drilling rigs to sixteen with fifteen in operation. Xtreme is on schedule to deploy five new build XDR 500 rigs on long term contracts. It is anticipated that one rig will be delivered near the end of the first quarter of 2012, two rigs during the second quarter of 2012 and one rig in both the third and fourth quarters of 2012.

At the date of this AIF, Xtreme has three XDR rigs operating in Alberta, Canada, and twelve XDR rigs operating in Colorado, North Dakota, Texas and Utah. Each of these rigs work for an operator targeting either liquid rich gas or oil.

Coil Services (XSR)

The growth in deep well and horizontal drilling has increased the market for coiled tubing. For coiled tubing services, flexible steel pipe is inserted into oil and natural gas wells to perform a variety of services. This coiled tubing is typically thousands of feet long and is coiled onto a specialty truck or trailer for transportation. The small diameter of coiled tubing allows work to be done on active wells, which allows operators to continue production during service operations without shutting down the well, reducing the risk of formation damage.

With the recent addition of the deep coil well servicing business line, Xtreme's proprietary technology will be utilized to provide a differentiating completion service that will target unconventional resource plays which will provide coiled tubing service rigs for completion and workover operations. In Saudi Arabia, Xtreme contracts to re-enter existing wells and drill horizontally into untapped reservoirs which are critical to overall reserves recovery. The target re-entry wells are deep and technically challenging, have multi-lateral well profiles and require under-balanced drilling.

The initial XSR target market will be the Eagle Ford resource play in South Texas. The Eagle Ford is currently one of the most robust drilling markets in the United States with over 210 drilling rigs operating. The early target for the

coil services division is primarily post fracture treatment cleanouts. As such, high drilling activity is a good indicator of demand for Xtreme's coil services.

In February of 2012, Xtreme commenced operations with its first XSR coil service unit in the United States in the Eagle Ford Shale play in South Texas. The XSR units are an iteration of Xtreme's re-entry rig design which has performed successfully in Middle East operations since 2010. The new XSR units are a mast-style coiled tubing unit that utilize a 200,000 lb. AC electric injector with the capability of running 2-5/8 inch coiled tubing to depths in excess of 20,000 feet. In complement to this, the unit includes a stand-alone reel trailer capable of holding 23,500 feet of 2-5/8 inch coiled tubing. Pumping capabilities include dual quintaplex fluid pumps.

At the date of this AIF, Xtreme has two new XSR coil service units completed and based in Texas. Due to delays related to pumping equipment Xtreme is working with its suppliers and equipment rental providers to deploy the remaining units as quickly as possible. Xtreme anticipates deploying the three additional XSR units during the first, second and third quarter of 2012. Xtreme also has two XSR coil service units conducting re-entry horizontal drilling operations in Saudi Arabia and one XSR coil service rig based in North Dakota to provide deep horizontal well post fracture cleanouts.

Operational Capacity

Following construction of the announced new-build rigs later in 2012, Xtreme's rig fleet will consist of:

- 29 rigs in total, made up of -
  - 21 XDR drilling rigs;
  - 5 XSR coil service rigs; and
  - 3 XSR coil service rigs as XDR conversions.

Sources, Pricing and Availability of Raw Materials, Component Parts and Finished Products

Xtreme's ability to compete and expand operations depends on having access, at a reasonable cost, to equipment and components utilized in the manufacture of its coiled tubing rigs. From time to time, Xtreme makes purchases of certain equipment and components from various suppliers inside and outside the crude oil and natural gas services industry. Xtreme has no assurance that sources for equipment and components will remain available and any lack of access to such equipment and components could impair Xtreme's ability to construct rigs and to expand its services. The Corporation sources materials and components based on industry standard terms and pricing. If Xtreme's suppliers are unable to provide the necessary materials and components, or otherwise fail to deliver products of the quality or in the quantities required, resulting delays in the construction of new rigs could have a material adverse effect on Xtreme's business, results of operations and financial condition. (See "Risk Factors – Sources, Pricing and Availability of Equipment and Equipment Parts".)

Business Climate and Market for Services

Activity levels have improved for many drilling contractors offering higher technology rigs in North America. For 2012, Xtreme will continue to advance strategic opportunities for contracts inside and to a lesser extent outside of North America. Since a majority of our XDR drilling fleet is contracted through 2012 the primary focus over the first half of the year will be contracting the 5 new XSR coil rigs both for fixed term and per job contracts. As discussed, Xtreme believes that the target market of South Texas is very robust with early indications of strong demand for our technology and services. Currently, Xtreme is able to offer US customers coil services that are not available in the market. Xtreme's patented transportation technology coupled with our proprietary design coil rigs enables us to offer coil services using more than 20,000 feet of 2 5/8" diameter coil tubing. This allows the operator of wells extended reach with more efficiency as compared to current market options in their completion processes.

Broadly the coil service market is expanding in the United States and Canada as it generally offers a safer and more efficient operation during many well completion processes. With a United States and Canada rig count over 2,600 the market for coil services remains robust as demand for completion and coil services closely tracks the operating rig count.

In drilling regions worldwide, coiled tubing drilling and services technology may enable Xtreme's customers to reduce their finding and development costs or to capture cost savings by reducing average drilling times. Coil rigs

are intrinsically safer than conventional rigs, a major focus for customers. Xtreme provides new equipment built with leading edge technologies, primarily intended to respond to specific projects, and ultimately, to reduce overall drilling time and expenses. A large percentage of the world's existing land drilling fleet is comprised of older rigs which, primarily because of their age, may be less efficient and less safe than Xtreme's newer fleet of coiled tubing rigs. Generally, Xtreme's rigs require a smaller footprint than conventional rigs because of fewer loads to move which minimizes surface disturbance. The XDR 300, 400 and 500 have integral skidding systems to move the rigs up to one hundred and twenty feet on the same well site to facilitate multi-well drilling from a single pad without moving ancillary equipment or facilities used during drilling operations. Xtreme's business plan is based on the assumption that new drilling rigs have the potential to displace a proportionate number of older conventional rigs in the markets where Xtreme operate or enter, including Canada, the United States, the Middle East and other international regions.

Xtreme's business objective is to achieve critical mass of operations which has the potential to spread the cost of operations over multiple rigs with profitable contracts. The Corporation's strategy is to become one of the few companies in the world to develop successful technologies to operate larger coiled tubing and, at the same time, to improve methods for deep conventional drilling. Xtreme's proprietary technologies have broad application to under-balanced drilling, side-track, directional and "S" curve, re-entry of existing wellbore drilling, deep geothermal, coal bed methane, and Steam Assisted Gravity Drainage projects.

Revenues Generated by Categories of Principal Services

The following regions accounted for Xtreme's total consolidated revenues from third parties for the applicable period. The Corporation currently operates within one industry segment which is oilfield services. The table below summarizes revenue for Xtreme's three geographic operating segments of Canada, the United States and Other International.

Provision of contract drilling services	**Year Ended 2011 Dec 31**	**Year Ended 2010 Dec 31**
Canada	-	4 percent
United States	79 percent	49 percent
Other International	21 percent	47 percent

Revenue for the last two fiscal years was derived entirely from third party customers and has been reported as a percentage of total revenue in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2011 which is incorporated by reference and is available on SEDAR at www.sedar.com.

Specialized Skill and Knowledge

Coiled tubing technology has been developed, modified and refined over the past decade with improvements in technology, products and operating efficiency. Shallow drilling knowledge and expertise is well-established in Canada. However, Xtreme focuses on developing new techniques for using larger coiled tubing on its own or in combination with conventional jointed pipe to drill to deeper geological horizons. As the Corporation encounters and resolves challenges in drilling with coiled tubing to new depths, Xtreme applies for patents to protect these new techniques and any newly developed equipment. Employee expertise is increasing as Xtreme continues to use both coiled tubing and conventional drilling to overcome challenges at depths below 2,000 metres (6,500 feet).

In March 2009, Xtreme Drilling Corp. was awarded the "New Exporter" category at the inaugural Alberta Export Awards event hosted in Edmonton by the Alberta division of Canadian Manufacturers and Exporters (CME-Alberta) with participation of a number of senior representatives from industry and government. CME-Alberta cited the inaugural Alberta Export Awards as recognizing "the province's very best exporters".

Intangible Property

As of the date of this AIF, Xtreme held 37 issued patents related to technologies for drilling with coiled tubing and conventional drill pipe as well as for certain rig and equipment transportation methods. The patents have been issued by: the United States Patent and Trademark Office (12), the Canadian Intellectual Property Office (8), the Eurasian

Patent Organization (6), Russia (1), Australia (1), Mexico (5) and Indonesia (4). Xtreme has more than 60 patent-related applications in progress in the United States, Canada and other worldwide jurisdictions.

In some instances, Xtreme relies on trade secrets and patent-applied-for expertise to maintain our competitive position. The Corporation's strategy is to employ proprietary intellectual property to create a competitive advantage. Xtreme will continue to pursue a strategy of applying to patent certain newly developed technologies and related equipment.

Cyclical and Seasonal Nature of Industry

Areas of the United States where Xtreme conducts drilling operations are infrequently subject to weather constraints like hurricanes, especially in the southern states, but may experience operational restrictions for other reasons. Some areas are subject to environmental orders for specific well leases which can prevent drilling activity during certain periods when authorities prioritize wildlife or habitat protection. These restrictions may also affect activity levels and operating results.

Seasonal weather conditions in Canada can restrict drilling operations. Particularly, movement of heavy equipment in the north depends on ground freezing to support equipment. Road bans prevent heavy equipment from moving until the ground is dry enough to support the weight of loads. The timing and duration of freezing and thawing can affect drilling activity levels and operating results.

In Saudi Arabia, desert weather conditions can impact drilling operations. This includes excessive heat and sand storms which may interrupt periods of activity and affect operating results.

The contract drilling services business is affected by cycles in commodity prices for crude oil and natural gas. Commodity price affects Xtreme's customer budgets resulting in changes in demand for drilling services and equipment. In the latter half of 2008, the United States and Canada experienced a significant downturn in drilling demand due to sharply lower commodity prices. During 2009 and early 2010, Xtreme responded to robust drilling demand in Mexico. Due to the high level of uncertainty in Mexico about the number of wells the operator would commit to drill in 2010 and the risk that reduced activity levels could impact Xtreme in that region, the Corporation continued to pursue opportunities for re-deployment of its drilling rigs to projects inside and outside North America. The majority of Xtreme's rigs work for operators targeting either liquid rich gas or oil. As such, exposure to the recent weak North American dry gas market is more limited.

Economic Dependence

Xtreme has a number of major competitors in the coiled tubing segment of the drilling industry with significant market share and influence over pricing of services which could impact Xtreme's future corporate performance. Demand for coiled tubing drilling rigs designed and manufactured by Xtreme has previously depended, to a large degree, on drilling activity in the United States which has historically shown significant fluctuations from year to year. In late 2008 and throughout 2009, the Corporation deployed and operated drilling rigs in Mexico to diversify operations away from the dampened United States and Canadian drilling markets. In 2009, two customers accounted for 97 percent of Xtreme's revenue. In 2010, the Corporation commenced operations with two fit-for-purpose re-entry drilling rigs in Saudi Arabia and re-deployed and operated drilling rigs from Mexico to the United States drilling markets. In 2011 and early in 2012, Xtreme had drilling and service rigs operating in Alberta, Colorado, North Dakota, Texas, Utah and Saudi Arabia.

Changes to Contracts

Contracts in the drilling contract services industry are generally awarded on the basis of technical expertise, equipment requirements, price, equipment availability, and industry safety record. A competitive bid process is generally used to award drilling contracts. Bids are generally requested by customers on a day-work basis. Under a day-work contract, a fixed rate is charged for each day the equipment and crew are in operation. Weakened demand, for drilling and coil services, especially when commodity prices collapse, or performance issues can result in customers renegotiating or terminating contracts.

Competitive Conditions

Xtreme's business success is dependent, in large part, to the general vibrancy of companies who explore for, develop and/or produce crude oil and natural gas. Accordingly, in addition to the various federal, provincial, state and municipal regulations to which Xtreme adheres in conducting ongoing operations, our operations are also sensitive to industry conditions that affect our customers, including land tenure, exploration, development, production, refining, transportation and marketing, imposed by legislation enacted by various levels of government and with respect to pricing and taxation of crude oil and natural gas. In many regions, current legislation is a matter of public record. However, Xtreme is unable to predict what additional legislation or amendments may be enacted.

Xtreme provides contracted drilling services primarily to the field locations of customers located in Canada, the United States and the Middle East. The drilling services sector in which the Corporation operates is highly competitive and, to be successful, Xtreme must provide services that meet the specific needs of its customers at competitive prices. The principal competitive factors in the markets where Xtreme operates are service quality, price and availability, reliability and performance of equipment used to perform drilling services, technical knowledge and experience and reputation for safety. Xtreme competes with conventional drilling rigs as well as rigs with both drill pipe and coiled tubing drilling capabilities. Competitors, many of them larger than Xtreme, offer similar services in all geographic regions where Xtreme operates. Xtreme's success depends on establishing sufficient critical mass by building and deploying enough new drilling rigs to secure an adequate market share of drilling markets in Canada, the United States and outside North America. (See "Risk Factors – Competition".)

Environmental Considerations

Historically, environmental protection requirements have not had a significant financial or operational effect on Xtreme's capital expenditures, earnings or competitive position. Subject to any changes in current environmental protection legislation, Xtreme does not presently anticipate environmental protection requirements will have a significant effect on such matters in 2012. The Corporation is exposed to potential environmental liability in connection with its own business. (See "Risk Factors - Environmental Liability Risks".)

Employees

As at December 31, 2011, Xtreme employed approximately 515 full time, non-union and third-party employees in the following segments.

Segment	Employees
Drilling Services (XDR)	458
Coil Services (XSR)	57
Total	515

In international operations, Xtreme endeavours to hire and train local workers or enter into contracts with third parties to provide recruitment and payroll services suitable for engaging local workers.

In 2011, Xtreme balanced regional staffing in proportion to any change in the number of rigs operating in a specific locale. Future staffing plans will depend on actual rig utilization levels.

Risks of Foreign Operations

Xtreme currently operates in Canada, the United States and in Saudi Arabia. Since inception, and until 2008, Xtreme designed, constructed and commissioned our new drilling rigs in Canada. During 2009, Xtreme modified rigs in Texas to prepare them for operations in Mexico and, in late 2009 and early 2010, undertook modifications and customization of two existing rigs as fit-for-purpose re-entry drilling rigs to be deployed to operations in Saudi Arabia. Certain components for the first two rigs operating in the Middle East were constructed and installed in that region. In 2011, Xtreme undertook modifications of five masted well servicing units, with this work being performed in Canada and the United States.

The Corporation is subject to the risks associated with drilling markets in the regions where Xtreme operates. Such risks may include, and are not limited to, lack of access to materials and components and skilled workers, time delays associated with shipment of products and materials, particularly fuel, as well as uncertainties related to the

existence and application of foreign laws. In addition, because Xtreme conducts business in international markets, the Corporation is exposed to risks caused by fluctuations in currency exchange rates. (See "Risk Factors – Risks of Foreign Operations".)

Bankruptcy and Similar Procedures

There has been no proposed or actual bankruptcy, receivership or similar proceedings against the Corporation or any of our Subsidiaries, or any voluntary receivership, bankruptcy or similar proceeding by Xtreme, or any of our Subsidiaries, since inception.

Social and Environmental Policies

The Board of Directors of Xtreme has an established Health, Safety and Environment Committee and has implemented and continuously updates policies and procedures relating to such matters for adherence by all directors, officers, employees and consultants of the Corporation.

RISK FACTORS

Demand for Services

Demand for Xtreme's coiled tubing technologies and related services depends largely on the level of customer capital budgets dedicated to crude oil and natural gas exploration, development and production activities within and outside North America. The Corporation can give no assurance about current crude oil and natural gas drilling activity, whether demand will increase or decrease, or whether Xtreme's technology and contract services will reflect the level of demand.

As well, exploration and development drilling activities depend, in large measure, on crude oil and natural gas prices, which may be affected by local or international factors or by government regulation, and cannot be accurately predicted. Changes in levels of drilling activity by our customers are directly affected by fluctuations in world commodity prices which, in turn, directly affect Xtreme's business. A decline in drilling activities could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Volatility of Industry Conditions

Demand, pricing and terms for contract drilling services largely depend on the level of exploration, development and production activity in the regions where Xtreme is active or intends to pursue opportunities to contract drilling rigs. Industry conditions are influenced by numerous factors over which Xtreme has no control, including: the level of crude oil and natural gas prices; expectations about future crude oil and natural gas prices; the cost of exploring for, producing and delivering crude oil and natural gas; the expected rates of decline of customers' current production; the discovery and production rates of new crude oil and natural gas reserves; available pipeline and other crude oil and natural gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of Xtreme's customers to access equity capital or debt financing.

Xtreme's business and operational activities are directly affected by fluctuations in the levels of exploration and production activity carried on by our customers. Drilling activity worldwide is driven by supply and demand for crude oil and natural gas. A global or regional economic downturn, such as occurred in late 2008, continued throughout 2009 and still affected some regions in 2010 and 2011, reduces demand overall. Regions where the primary producer is a national entity with economic and social policy responsibilities, can experience somewhat lower volatility in drilling activity.

No assurance can be given that expected trends in exploration and production activity will continue or that demand for contract drilling services will reflect the level of activity in the exploration and production sector. Any prolonged substantial reduction in crude oil and natural gas prices can be expected to affect crude oil and natural gas production levels and, therefore, affect the demand for contract services. A material decline in crude oil or natural gas prices or industry activity could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Capital Markets

The impact on capital markets resulting from investor uncertainty related to the North American economy can constrain access to capital for Xtreme's customers in the crude oil and natural gas exploration, development and production sector, and, subsequently, the contract services sector.

As new contracts are negotiated, the Corporation expects to finance future capital expenditures from funds generated from operating activities, from borrowings and possible future debt or equity financings. Xtreme's ability to source new capital is dependent on, among other factors, the overall state of capital markets, investor appetite for investments in oilfield services companies and, in particular, the Corporation's securities. To the extent external sources of capital become limited or unavailable, or available on unacceptable terms, the Corporation's ability to make capital investments and to maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and, as a consequence, results of operations may be materially and adversely affected.

Although there have been recent improvements in the global economy and financial markets, the Corporation, along with all other oilfield services companies, may experience restricted access to capital, credit facilities and equity, and may face increased borrowing costs, if the lending capacity of financial institutions continues to fluctuate with the global economy resulting in diminished capacity and higher risk premiums. Any adverse conditions in capital markets could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Availability of Credit Facilities

On November 4, 2011, Xtreme entered into the Expanded New Credit Facility with a syndicate of financial institutions to provide an increased credit facility of $150 million, replacing the previous $90 million facility under the New Credit Facility. The Expanded New Credit Facility consists of $15 million as a revolving operating loan facility to assist with financing general corporate and working capital requirements and $135 million as an extendible loan facility to refinance existing bank debt and to provide working capital for capital expenditures focused primarily on new-build rig contracts.

From management's ongoing communication with Xtreme's banking syndicate, the Corporation believes the institutions comprising the syndicate are in sound financial position. Xtreme conducts ongoing communication to maintain its working relationship with the banking syndicate. These discussions lead management to believe Xtreme's relationship with the banking syndicate will continue.

Xtreme has made commitments to several vendors, primarily related to providing goods and services to construct or modify existing drilling rigs for new contracts. As at December 31, 2011, the aggregate value of these commitments was $86.0 million.

Access to Additional Financing

In the future, it may be necessary for Xtreme to obtain additional credit or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Xtreme when needed or on acceptable terms. Xtreme's inability to access financing to support ongoing operations or to fund capital expenditures or acquisitions could limit Xtreme's growth and may have a material adverse effect. Where additional financing requires the issuance of the Common Shares or securities convertible into the Common Shares, control of Xtreme may change and the shareholders of Xtreme may suffer dilution to their investment. Xtreme's activities may also be financed, partially or wholly, with bank indebtedness which may increase Xtreme's debt levels above industry standards.

Leverage and Restrictive Covenants

Xtreme's ability to pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of those entities. The degree to which Xtreme is leveraged could have important consequences for the shareholders of Xtreme including, but not limited to: (i) Xtreme's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) all or part of Xtreme's cash flow from operating activities may be dedicated to the payment of

the principal of and interest on Xtreme's indebtedness, thereby reducing funds available for future operations or for payment of dividends to shareholders; (iii) certain of Xtreme's borrowings will be at variable rates of interest, which exposes Xtreme to the risk of increased interest rates; and (iv) Xtreme may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Seasonality of Operations

Areas of the United States where Xtreme has drilling operations are infrequently subject to weather constraints like hurricanes in the southern states, but may experience operational constraints such as blizzards and other extreme winter conditions in the Rocky Mountain region in addition to operational restrictions for a variety of other reasons. Some areas are subject to environmental orders which include specific well leases and can prevent drilling activity during certain periods when authorities prioritize wildlife or habitat protection. These restrictions may also affect activity levels and operating results.

The weather in Saudi Arabia is composed of extreme aridity and heat. It is among few countries in the world where temperatures during the summer reach above 50 degrees C (120 degrees F). The region is also subject to severe sand storms. These weather conditions may constrain drilling conditions and interrupt periods of activity which could adversely impact operating results.

In Canada and the northern part of the United States, the level of activity in the oilfield service industry is influenced by seasonal weather patterns. During the spring months, wet weather and the spring thaw make the ground unstable. Consequently, municipalities and counties and provincial and state transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels and placing an increased level of importance on the location of Xtreme's equipment prior to imposition of the road bans. The timing and length of road bans is dependent upon the weather conditions leading to the spring thaw and the weather conditions during the thawing period. Additionally, certain oil and natural gas producing areas are located in areas of western Canada that are inaccessible, other than during the winter months, because the ground surrounding or containing the drilling sites in these areas consists of terrain known as muskeg. Until the muskeg freezes, the rigs and other necessary equipment cannot cross the terrain to reach the drilling site. Moreover, once the rigs and other equipment have been moved to a drilling site, they may become stranded or otherwise unable to relocate to another site should the muskeg thaw unexpectedly. Xtreme's business results depend, at least in part, upon the severity and duration of the winter season.

Alternatives to and Changing Demand for Petroleum Products

Xtreme's management cannot predict the impact of changing demand for crude oil and natural gas products. Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to crude oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Any major changes in demand for crude oil and natural gas products may result in a reduction in the demand for drilling services and could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and therefore on the trading price of the Common Shares.

Sources, Pricing and Availability of Equipment and Equipment Parts

Xtreme sources equipment and equipment parts from a variety of suppliers, most of whom are located in Canada and the United States. More recently, certain equipment has been sourced in the Middle East. Xtreme's contract services may incur risk or interruption of ongoing access to key supplies, including fuel, which could impair the ability to continue to operate equipment. When significant assets are under construction and an aggressive rig and related equipment building program is underway, Xtreme depends on suppliers to deliver equipment on schedule and to meet required quality standards. If any of Xtreme's suppliers are unable to provide the necessary equipment or parts or otherwise fail to deliver products that meet the Corporation's quality standards or the quantities required, any resulting delays in the provision of services, or in the time required to source and enter agreements with new suppliers, could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Technology

In the course of day-to-day business development activities, Xtreme seeks to protect new technologies and intellectual property developed in-house by undertaking applications for the appropriate patents.

Certain proprietary technologies are integral to Xtreme's equipment and require proving in actual field operations or have only been operating in the field for a limited period of time. Xtreme cannot assure the current and future applications for Xtreme's proprietary technology nor the effectiveness of these technologies in field operations. Competing technologies could prove more effective than those developed and used by Xtreme. In addition, patents applied-for may not be issued. There could also be alleged infringements on proprietary technologies levelled by Xtreme against third parties or against Xtreme by third parties. Any of the foregoing could result in lost revenues, significant legal costs, and other damages and costs which could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Government Regulation

Xtreme's operations are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in drilling operations and the transportation of materials and equipment provided to clients. Compliance with, breaches of, or changes to such laws, regulations and guidelines could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Operating Risks and Insurance

Xtreme's drilling operations are subject to hazards inherent in the crude oil and natural gas industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations due to weather or other conditions, damage to crude oil and natural gas geological formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These risks could expose Xtreme to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

Management continuously monitors Xtreme's activities for quality control and safety. However, there are no assurances that Xtreme's safety procedures will always prevent such damages. Although Xtreme will maintain insurance coverage management believes to be adequate and customary within the drilling services industry, there can be no assurance that such insurance will be adequate to cover Xtreme's liabilities. In addition, there can be no assurance that Xtreme will be able to maintain adequate insurance in the future at reasonable and commercially justifiable rates. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by Xtreme, or a claim at a time when the Corporation is unable to obtain liability insurance, could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Key Personnel

The successful operation of Xtreme's business will depend on the abilities, expertise, judgment, discretion, integrity and good faith of Xtreme's executive officers, general managers, employees and consultants. In addition, the ability of management to expand Xtreme's services will depend on our ability to attract qualified personnel as needed. Demand for skilled oilfield employees can be constrained by supply in periods of high industry activity. The unexpected loss of key personnel, or the inability to retain or recruit skilled personnel, could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Legal Proceedings

From time to time, Xtreme may be subject to litigation and regulatory proceedings arising in the normal course of its business. Xtreme cannot determine whether such litigation and regulatory proceedings will, individually or collectively, have a material adverse effect on its business, results or operations and financial condition. To the extent expenses incurred in connection with litigation or any potential regulatory proceeding or action (which may include substantial fees of attorneys and other professional advisors and potential obligations to indemnify officers and directors who may be parties to such actions) are not covered by available insurance, such expenses could adversely affect Xtreme's cash position.

Competition

Xtreme provides contract oilfield drilling and related services primarily to field operations of companies located in Canada, the United States and Saudi Arabia. The oilfield services business in which Xtreme operates is highly competitive in most regions. To be successful, the Corporation must provide services to meet specific needs of customers at competitive prices. The principal competitive factors in the markets where Xtreme operates are service quality and availability, reliability and performance of equipment used to provide its services, technical knowledge and experience and reputation for safety and price. Xtreme competes with several regional competitors, both smaller and larger than itself. These competitors offer similar services in all geographic regions where Xtreme operates. As a result of competition, Xtreme may be unable to continue to provide its present services or to acquire additional business opportunities which could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Reduced levels of activity in the crude oil and natural gas industry can intensify competition and result in lower revenue for Xtreme. Variations in exploration and production corporate expenditure budgets or budgets of other regional operators, such as national oil companies, which are directly affected by fluctuations in commodity prices, the cyclical nature and competitiveness of the crude oil and natural gas industry and governmental regulation, will have an effect on Xtreme's ability to generate revenue and earnings and could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Credit Risk

Xtreme's accounts receivable are, and will be, with customers involved in the crude oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. In addition, Xtreme's accounts receivable is heavily concentrated with a small number of customers. Collection of these receivables could be influenced by economic factors affecting the crude oil and natural 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. Any inability of Xtreme to collect these accounts receivable could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Conflicts of Interest

Certain Xtreme directors are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of Xtreme and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to, such other procedures and remedies as apply under the ABCA.

There may be situations in which the interests of Xtreme's directors, management, and consultants may conflict with those of the Corporation. Certain of these individuals are not engaged by Xtreme on a full-time basis and are currently involved, and will continue to be involved, in other entities, businesses and activities, some of which are described herein and all of which will place varying and conflicting demands on their time and attention. Furthermore, some such conflicts may result in an individual being in a direct conflict of interest position in relation to Xtreme. Any conflicts will be resolved in accordance with the provisions of the ABCA and other applicable laws.

Changes in Legislation

There can be no assurance that legislative changes relating to the crude oil and natural gas industry and any related effect on demand for services industry will not adversely affect the holders of Common Shares.

Service Agreements and Contracts

The business operations of the Corporation depend on successful execution of drilling contracts, primarily written agreements that are cancellable at any time, most of which are subject to termination costs. The key factors which determine whether a client continues to use Xtreme are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety and competitive pricing. There can be no assurance that Xtreme's relationships with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Risks of Foreign Operations

Xtreme currently conducts its contract drilling and related services business in Canada, the United States and in Saudi Arabia and is pursuing additional opportunities in other international markets. As such, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, changes in energy policies, currency exchange rate fluctuations, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Xtreme conducts operations, as well as risks of loss due threats to security or terrorism. Our operations may also be adversely affected by laws and policies affecting foreign trade, taxation and investment and by lack of access to materials, components and skilled workers and time delays associated with shipment of products and materials or interruptions to address local access matters. In the event of a dispute arising in connection with Xtreme's operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Xtreme's preference or enforcing judgments of one jurisdiction in other jurisdictions. Accordingly, Xtreme's contract drilling and related activities could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

Foreign Exchange

In addition, because Xtreme conducts business outside of Canada, the Corporation is exposed to risks caused by fluctuations in currency exchange rates. In particular, international contracts in the contract drilling and services industry are often denominated in United States dollars and, accordingly, a material decrease in the value of the United States dollar may negatively impact revenues, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows and, therefore, on the value of the Common Shares.

Xtreme currently reports all activities in CAD. As a result, fluctuations in the value of the USD relative to the CAD give rise to fluctuations in reported revenue. Xtreme is also exposed to risk from fluctuations in foreign currency exchange rates in the United States and Saudi Arabia where revenue, expenses, assets and liabilities denominated in USD and Saudi Riyal are translated into CAD during the reporting periods. As a result, Xtreme's income statement, balance sheet and statement of cash flow are impacted by changes in exchange rates between Canadian and United States dollars.

Environmental Liability Risks

The Corporation has exposure to potential environmental liability in connection with its business activities. Certain of Xtreme's operations involve the handling, processing and storage of crude oil and chemical-based products. Xtreme maintains insurance consistent with industry practice to protect against losses due to sudden and accidental environmental contamination, accidental destruction of assets, and other operating accidents or disruptions and liability to third parties. The occurrence of any of the foregoing, any other spill or event resulting in environmental contamination or a breach of environmental rules or regulations to which Xtreme is subject could have a material

adverse effect on Xtreme's business, financial condition, results of operations and cash flows and, therefore, on the trading price of the Common Shares.

There is growing concern about the apparent connection between the burning of fossil fuels and climate change. The issue of energy and the environment has created intense public debate in Canada and around the world in recent years that is likely to continue for the foreseeable future and could potentially have a significant impact on all aspects of the economy including the demand for hydrocarbons and resulting in lower demand for Xtreme's services.

Safety Risks

Standards for the prevention of incidents in the oil and gas industry are governed by company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. A key factor considered by Xtreme's customers in selecting providers is safety. Deterioration in Xtreme's safety performance could result in a decline in the demand for services and could have a material adverse effect on Xtreme's revenues, cash flows and earnings.

DIVIDENDS

The Corporation has not paid any dividends to date on the Common Shares. Xtreme's board of directors will determine the timing, payment and amount of dividends, if any, that may be paid from time to time based on, among other matters, our cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and other relevant considerations.

DESCRIPTION OF CAPITAL STRUCTURE

General

Xtreme is authorized to issue an unlimited number of Common Shares. Holders of Common Shares are entitled to vote at all meetings of our shareholders, to receive dividends as declared by Xtreme and to receive, on liquidation, dissolution or winding-up, our remaining property and assets. As of the date of this AIF, the Corporation had 65,696,232 Common Shares issued and outstanding and 4,239,298 options to purchase Common Shares outstanding.

The Corporation has filed documents affecting the rights of security holders, including the Corporation's articles and by-laws, in accordance with NI 51-102 and they are available electronically on Xtreme's SEDAR profile at www.sedar.com.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX under the symbol "XDC". The following table provides the monthly high and low closing prices and the total monthly trading volumes for the indicated periods.

2011 Trading Price and Volume			
Month	**High**	**Low**	**Volume**
Jan	$5.22	$4.59	

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The names and municipalities of residence of the directors and executive officers of Xtreme, their positions with Xtreme, the period served as a director or officer, and their principal occupations, are set forth below.

Name and Place of Residence	Position Held [1]	Director and/or Officer Since	Principal Occupation During Past Five Years
Thomas D. Wood [2] Calgary, Alberta Canada	Founder, Chief Executive Officer, and Chairman of the Board	June 2005	Chairman of Xtreme Coil Drilling Corp. since 2005 and Chief Executive Officer of Xtreme Coil Drilling Corp. since 2011; from 2009 to 2011, Executive Chairman of Xtreme Coil Drilling Corp.; from 2007 to 2009, Chief Executive Officer of Xtreme Coil Drilling Corp. Chief Executive Officer of Round Up Resource Services Ltd., a private investment company; Director of Wrangler West Energy Corp., a public oil and gas producer.
Randolph M. Charron [3, 4, 5] Calgary, Alberta Canada	Founder and Director	June 2005	President of Characo Corporation, a private investment firm. Director of PHX Energy Services Corp., a public company that provides horizontal and directional drilling services. Director of Wrangler West Energy Corp., a TSXV junior Canadian oil and natural gas producer. Mr. Charron is principally an independent businessman involved in oil and gas services, oil and gas producing companies and other industry sectors.
Kyle W. Swingle [6] Steamboat Springs, Colorado United States	Founder, Director, and Senior Technical and Project Advisor	June 2005	Senior Technical and Project Advisor of Xtreme Coil Drilling Corp. since 2009; from 2007 to 2009, Chief Operating Officer and from 2005 to 2007 Chief Operating Officer, Canadian Operations of Xtreme Coil Drilling Corp.
Daniel Z. Remenda [4, 6] Calgary, Alberta Canada	Director	June 2005	President of Danich Investments Limited, a private investment firm. Director of Tiene Energy Ltd., a private oil and natural gas producer. Mr. Remenda is principally an independent businessman involved in oil and gas producing companies, oil and gas service companies, real estate and agriculture.
Marc L. Staniloff [3, 5] Calgary, Alberta Canada	Director	August 2006	Chairman and Chief Executive Officer of Superior Lodging Corp., a hotel development, ownership and franchising company. Director of Star Uranium Corp., a public company involved in mining and oil and gas; Trustee of Holloway Lodging REIT, a real estate investment trust.
Peter J. Sharpe [6] Rijswijk, The Netherlands	Director	June 2008	Executive Vice President-Wells of Shell International Exploration and Production B.V., The Hague, The Netherlands. Chairman of SWMS Pte. Ltd., a private company that provides well manufacturing services.

Lawrence M. Hibbard [3, 4, 5] Houston, Texas United States	Director	April 2010	Director of PHX Energy Services Corp. (and on the Compensation Committee), a public company that provides horizontal and directional drilling services. Director of TrigPoint Solutions, a private technology start-up to deploy RFID technology combined with software for preventative maintenance, asset tracking, personnel management and safety compliance. Mr. Hibbard is principally an independent businessman involved in oil and gas services and other industry sectors.
Saad Bargach [6] Houston, Texas United States	Director	April 2010	Managing Director, Lime Rock Partners, a private investor of growth capital in global energy companies in the exploration and production, energy service, and oil service technology sectors. Chairman of Archer Limited, a public company that provides global oilfield services to oil and gas exploration and production companies. Chairman of Artificial Lift Company, of TGT Oil and Gas Services, of DHS Oil, and of GEODynamics. Director of Expert Petroleum, of Gas2, of Omni Oil Technology Holdings, of OilSERV, of Tercel Oilfield Products, and of Tiway.
Richard D. Havinga [7] Calgary Alberta Canada	President and Chief Operating Officer	July 2005	President and Chief Operating Officer of Xtreme Coil Drilling Corp. since November 2011; from 2009 to 2011, Chief Operating Officer and Vice President, Engineering and Design of Xtreme Coil Drilling Corp., and from 2005 to 2009, Vice President, Engineering and Design of Xtreme Coil Drilling Corp.
Matthew S. Porter [8] Houston, Texas United States	Chief Financial Officer	August 2011	Chief Financial Officer of Xtreme Coil Drilling Corp. since 2011; Previously, from January 2010 until June 2011 Chief Financial Officer and from June 2006 to December 2009 Vice President, Corporate Finance with at Bronco Drilling, a land drilling and well servicing company.
Oscar Tyson Seeliger [9] Houston, Texas United States	Vice President, Sales and Marketing	November 2010	Vice President, Sales & Marketing of Xtreme Coil Drilling Corp. since 2010. Previously, from 2007 to 2010, US Sales & Marketing Manager for Trinidad Drilling LP; from 2005 to 2007, Product Line Manager for National Oilwell Varco, an international oilfield services and supply company.
Brett Cole [10] Sugar Land, Texas United States	Corporate Secretary and General Counsel	January 2010	General Counsel of Xtreme Coil Drilling Corp. since 2010 and Corporate Secretary of Xtreme Coil Drilling Corp. since 2012. Previously, from 2006 to 2010 Senior Counsel, Mergers & Acquisitions, from 2004 to 2006 General Counsel, Oilfield Technologies, and from 1998 to 2004 other senior legal positions with Schlumberger Ltd., an international oilfield services company.
Rodney J. Uchytil [11] Katy, Texas United States	President and Chief Executive Officer	May 2008 to November 2011	From 2009 to November 2011, President and Chief Executive Officer of Xtreme Coil Drilling Corp.; in 2008, President of Xtreme Coil Drilling Corp.; from 2007 to 2008, Chief Operating Officer of Coil-X Drilling Systems Corporation, a joint venture between Xtreme and Shell Technology Ventures Fund 1 B.V.
Dale W. Wilhelm [12] Houston, Texas United States	Chief Financial Officer	January 2011 to August 2011	From 2011 to 2011, Chief Financial Officer of Xtreme Coil Drilling Corp. Previously, from 2007 until 2011 an independent financial consultant; from 2005 to 2007, Vice President and Chief Financial Officer of TODCO, a leading provider of contract oil and gas drilling services.

Elizabeth T. Wilkinson [13] Houston, Texas United States	Chief Financial Officer	March 2009 to January 2011	From 2009 to January 2011, Chief Financial Officer of Xtreme Coil Drilling Corp. Previously, from 2008 to 2009, Vice President, Investor Relations and Treasurer of Eagle Rock Energy Partners, L.P. a master limited partnership engaged in midstream, upstream, and minerals interest businesses; from 2004 to 2008, senior finance and accounting consulting positions for international and United States companies.
L. Ann Beattie [14] Calgary, Alberta Canada	Corporate Secretary	August 2006 to March 2012	From 2006 to 2012, Corporate Secretary and Investor Relations of Xtreme Coil Drilling Corp.

Notes:

1. The term of office for each Director expires not later than the close of business prior to the next annual meeting, or until successors are appointed or Directors vacate their office.
2. On November 11, 2011, Thomas Wood was appointed Chief Executive Officer and Chairman. He was previously Executive Chairman.
3. Member of the Audit Committee.
4. Member of the Corporate Governance and Nomination Committee.
5. Member of the Compensation Committee.
6. Member of the Health, Safety and Environment Committee.
7. On November 11, 2011, Richard Havinga was appointed President and Chief Operating Officer. He was previously Chief Operating Officer.
8. On August 25, 2011, Matt Porter was appointed Chief Financial Officer.
9. On November 1, 2010, Tyson Seeliger was appointed Vice President, Sales and Marketing.
10. On January 25, 2010, Brett Cole was appointed General Counsel, and on March 5, 2012, he was also appointed Corporate Secretary.
11. On November 10, 2011, Rod Uchytil tendered his resignation as President and Chief Executive Officer.
12. On August 8, 2011, Dale Wilhelm tendered his resignation as Chief Financial Officer.
13. On January 22, 2011, Elizabeth Wilkinson tendered her resignation as Chief Financial Officer.
14. On March 5, 2012, Ann Beattie tendered her resignation as Corporate Secretary.

As of the date of this AIF, Xtreme's directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 7,760,512 Common Shares, or approximately 11.8% of the issued and outstanding Common Shares (not including Saad Bargach who is Managing Director of Lime Rock Partners, and does not directly own Common Shares, but is nominated as a director by LRP V Luxembourg Holdings S.à.r.l., which holds 12,691,140 Common Shares or 19.3% of voting securities; and Peter Sharpe who is employed by Shell International Exploration and Production B.V., and does not directly own Common Shares, but is nominated as a director by Shell Technology Ventures B.V., which holds 6,975,601 Common Shares or 10.6% of voting securities). The information as to Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based on information furnished to Xtreme by the directors and officers. Each of Xtreme's directors is elected to hold office until the next annual meeting of Xtreme's shareholders.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No current director or executive officer of the Corporation is, or was within the last ten years prior to the date hereof, a director, chief executive officer or chief financial officer of any issuer: (i) that while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemption for a period of more than thirty (30) consecutive days; or (ii) that was subject to a cease trade or similar order or an order that denied the issuer access to any statutory exemption for a period of more than thirty (30) consecutive days that was issued after the director or executive officer ceased to act in that capacity of such issuer and which order resulted from an event that occurred while that director or executive officer was acting in that capacity of such issuer.

No current director or executive officer or security holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or was within the last ten years prior to the date hereof, a director or executive officer of any issuer that while such director or executive officer was acting in that capacity, or within a year of that ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for

compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets in any jurisdiction.

Personal Bankruptcies

No current director or executive officer or security-holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or security-holder.

Penalties or Sanctions

No current director or executive officer or security-holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by any other securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body in any jurisdiction that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors and officers of the Corporation may, from time to time, be involved in the business and operations of other issuers, in which case a conflict may arise.

The ABCA provides that, in the event a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interests arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

MATERIAL CONTRACTS

Except for material contracts entered into in the ordinary course of business and not otherwise required to be disclosed and filed, Xtreme has not entered into a material contract in the last financial year or prior thereto which is still in effect other than the following.

On May 30, 2008, Xtreme entered into an agreement for credit facilities ("**Credit Agreement**") with its existing lender and another lender on a syndicated basis. The Credit Agreement was amended by:

- the first amendment dated November 10, 2008;
- the second amendment dated May 29, 2008;
- the third amendment dated November 20, 2009;
- the fourth amendment dated June 21, 2010;
- the fifth amendment dated September 30, 2010; and
- was replaced by the New Credit Facility and Expanded New Credit Facility.

On April 2, 2009, a shareholders agreement was executed among Xtreme and a confidential partner regarding the formation of the joint venture entity, 1461160 Alberta Ltd.

On November 20, 2009, Xtreme entered into an agreement with Baker Hughes, in which Baker Hughes agreed to fund up to approximately $5.7 million in customization costs for an XDR 200 drilling rig and pay for certain significant mobilization and start-up costs of deploying the rig to the Middle East upon project award.

On March 12, 2010, shareholder agreements were executed among Xtreme and Suhayl Abdul Mohsin al Shoaibi and Sons Holding Company Ltd. regarding the establishment of the joint venture companies Xtreme Drilling Saudi Arabia Ltd. and Xtreme Equipment Group S.A.

On June 30, 2010, a shareholders agreement was executed among Xtreme and A. J. Lucas Coal Technologies Pty, Ltd. regarding the establishment of the joint venture company Lucas-Xtreme Drilling Pty Ltd. in Australia.

On August 5, 2010, the Corporation completed an assignment of the Baker Hughes agreement dated November 20, 2009 to Xtreme Equipment Group S.A.

On May 9, 2011, the Corporation entered into the New Credit Facility with its existing syndicate of lenders. The New Credit Facility provided the Corporation with a $15 million revolving operating loan facility and a $75 million extendible loan facility.

On November 4, 2011, the Corporation entered into the Expanded New Credit Facility with its existing lenders and another lender on a syndicated basis to provide an increased credit facility of $150 million. The Expanded New Credit Facility provides the Corporation with a $15 million revolving operating loan facility and a $135 million extendible loan facility to refinance existing bank debt and to provide working capital for capital expenditures focused primarily on new-build rig contracts.

TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent is Valiant Trust Company, at their offices in Calgary and Vancouver and through the offices of their agent, BNY Trust Company of Canada, in Toronto.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Audit Committee Charter is attached as Appendix "A" to this AIF.

Composition of the Audit Committee

As of the date of this AIF, the Audit Committee is comprised of Messrs. Staniloff, Hibbard and Charron. The following chart sets out the assessment of each Audit Committee member's independence, financial literacy and relevant educational background and experience supporting such financial literacy.

Name and Place of Residence	Independent	Financially literate	Relevant Education and Experience
Marc L. Staniloff Calgary, Alberta Canada	Yes	Yes	Marc Staniloff is Chairman and Chief Executive Officer of Superior Lodging Corp. a hotel development, ownership and franchising corporation. Mr. Staniloff has also been a director of Star Uranium Corp. since 2009, and has been a trustee of Holloway Lodging REIT from 2007. Mr. Staniloff has also held positions with Royop Hospitality Corp., a hotel and retail development and franchising company, as president and founder from 1997 to 2001; Royop Properties Corporation, a TSX-listed company, as director from 1997 to 2001; Superior Motel Developments, a hotel franchising and development, private company, as president from 1992 to 1997; and Armada Development Group, a real estate development, private company, as vice-president from 1985 to 1994. Mr. Staniloff earned his Bachelor of Commerce degree from the University of Calgary and is an active member of the Young Presidents Organization. Mr. Staniloff is also a member of the Super 8 Motels Franchisee Advisory Board and was the winner of the Super 8 Dennis Brown Memorial award.

Name and Place of Residence	Independent	Financially literate	Relevant Education and Experience
Lawrence M. Hibbard Houston, Texas United States	Yes	Yes	Larry Hibbard is an independent businessman. Since 2008, Mr. Hibbard has been a director for TrigPoint Solutions, a private technology start-up to deploy RFID technology combined with software for preventative maintenance, asset tracking, personnel management and safety compliance; and since 2011, Mr. Hibbard has been a director (and on the Compensation Committee) for PHX Energy Services Corp., a high growth international directional drilling and MWD company traded on the TSX. Mr. Hibbard brings knowledge and experience in worldwide drilling contracting, directional drilling, and oilfield service operations and management. He spent over thirty years of his career with Schlumberger working with four product lines; directional drilling, pressure pumping and completions, drilling contracting and project management. The most recent product group he worked at for Schlumberger was Integrated Project Management (IPM). During its formative years, he held the position of Vice President and General manager Worldwide. The group grew revenues from a start-up to over a billion dollars a year in under 10 years. Mr. Hibbard has an extensive background in acquisitions, operations, marketing, technology, and engineering. These positions lead Mr. Hibbard to work in the every geographic area of the world. Throughout his career he held numerous senior management positions primarily related to international operations, including Vice President and general manager of Directional Drilling - Worldwide, Vice President of Marketing - North America, and Vice President of North and South America. He was also Vice President of Marketing Worldwide for Sedco Forex (a predecessor of Transocean). Mr. Hibbard has also served as director of Coil-X from 2007 to 2008, a joint venture between Shell Technology Ventures and Xtreme, as a director of Total Separation Solutions from 2007 to 2010, an oilfield fluids management service company, and as director of Xact Downhole Telemetry from 2008 to 2010, an acoustic MWD technology start-up company.
Randolph M. Charron Calgary, Alberta Canada	Yes	Yes	Randy Charron is President of Characo Corporation, a private oil and gas investment firm. Mr. Charron is a director for PHX Technology Services Corp., a company which provides horizontal and directional drilling services to oil and gas exploration and development companies in Canada, the United States, Peru, Russia and Colombia. Mr. Charron is also sits on the board of Wrangler West Energy Corp., a TSXV junior Canadian oil and natural gas producer. Historically, Mr. Charron was a founding director of Artisan Corporation, a TSX listed oilfield services company and has served on the boards of Savanna Energy Services Corp., a TSX

Name and Place of Residence	Independent	Financially literate	Relevant Education and Experience
			listed oilfield services company, Drillers Technology, a TSX listed company, Nevis Energy Services Ltd., a TSXV listed company, Plains Energy Services, a TSX listed company and Player Petroleum, a TSX listed company. Mr. Charron holds a Bachelor ofd Mr. Charron

APPENDIX A

XTREME COIL DRILLING CORP.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

Audit Committee Mandate and Terms Of Reference For Audit Committee Chair

Xtreme's Audit Committee Charter outlines the specific roles and duties of the Committee members.

GENERAL FUNCTIONS, AUTHORITY, AND ROLE

The Audit Committee is a Committee of the Board appointed to assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) compliance by the Company with legal and regulatory requirements related to financial reporting, (3) qualifications, independence and performance of the Company's independent auditors, and (4) performance of the Company's internal controls and financial reporting process.

The Audit Committee has the power to conduct or authorize investigations into any matters within its scope of responsibilities, with full access to all books, records, facilities and personnel of the Company, its auditors and its legal advisors. In connection with such investigations or otherwise in the course of fulfilling its responsibilities under this Mandate, the Audit Committee has the authority to independently retain special legal, accounting, or other consultants to advise it, and may request any Officer or employee of the Company, its independent legal counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee also has the power to create specific sub-committees with all of the investigative powers described above.

The Company's independent auditor is ultimately accountable to the Board and to the Audit Committee; and the Board and Audit Committee, as representatives of the Company's shareholders, have the ultimate authority and responsibility to evaluate the independent auditor, and to nominate annually the independent auditor to be proposed for shareholder approval, and to determine appropriate compensation for the independent auditor. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee must maintain free and open communication between the Company's independent auditors, Board and management. The responsibilities of a member of the Audit Committee are in addition to such member's duties as a member of the Board.

While the Audit Committee has the responsibilities and powers set forth in this mandate, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor (other than disagreements regarding financial reporting), or to assure compliance with laws and regulations or the Company's own policies.

MEMBERSHIP

The membership of the Audit Committee will be as follows:

(a) The Committee will consist of a minimum of three members of the Board, appointed annually, each of whom is affirmatively confirmed as independent and financially literate, within the meaning of National Instrument 52-110, by the Board, with such affirmation disclosed in the Company's annual securityholder materials.

(b) The Board will elect, by a majority vote, one member as Chair.

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(c) A member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board, or any other Board Committee, accept any consulting, advisory, or other compensatory fee from the Company, and may not be an affiliated person of the Company or any subsidiary thereof.

RESPONSIBILITIES

The responsibilities of the Audit Committee shall be as follows:

I. Frequency of Meetings

(a) Meet quarterly or as often as may be deemed necessary or appropriate in its judgment, either in person or telephonically.

(b) Meet with the independent auditor at least quarterly, either in person or telephonically.

II. Reporting Responsibilities

(a) Provide to the Board proper Committee minutes.

(b) Minutes of Committee meetings shall be approved by the Committee Chair and maintained with the Corporation's records. Minutes of all Committee Meetings shall be available to all Directors and the CEO.

(c) Report Committee actions to the Board with such recommendations as the Committee may deem appropriate.

(d) Provide a report for the Company's Annual Information Form.

III. Mandate Evaluation

(a) Annually review and reassess the adequacy of this Mandate and recommend any proposed changes to the Board for approval.

IV. Whistleblower Mechanisms

(a) Adopt and review annually a mechanism through which employees and others can directly and anonymously contact the Audit Committee with concerns about accounting and auditing matters. The mechanism must include procedures for responding to, and keeping of records of, any such expressions of concern.

V. Independent Auditor

(a) Nominate annually the independent auditor to be proposed for shareholder approval.

(b) Approve the compensation of the independent auditor, and evaluate the performance of the independent auditor.

(c) Establish policies and procedures for the engagement of the independent auditor to provide non-audit services and pre-approval of all non-audit services.

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(d) Ensure that the independent auditor is not engaged for any activities not allowed by any of the Canadian provincial securities commissions, the Securities and Exchange Commission or any stock exchange on which the Company's shares are traded.

(e) Ensure that the auditors are not engaged for any of the following nine types of non-audit services contemporaneous with the audit:

- bookkeeping or other services related to accounting records or financial statements of the Company;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions, or contributions-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- any management or human resources function;
- broker, dealer, investment advisor, or investment banking services;
- legal services; and
- expert services related to the auditing service.

VI. Hiring Practices

(a) Ensure that no Executive Officer who is, or in the past full year has been, affiliated with or employed by a present or former auditor of the Company or an affiliate, is hired by the Company until at least one full year after the end of either the affiliation or the auditing relationship.

VII. Independence Test

(a) Take reasonable steps to confirm the independence of the independent auditor, which shall include:

- ensuring receipt from the independent auditor of a formal written statement delineating all relationships between the independent auditor and the Company, consistent with the Independence Standards Board Standard No. 1 and related Canadian regulatory body standards;
- considering and discussing with the independent auditor any relationships or services, including non-audit services, that may impact the objectivity and independence of the independent auditor; and
- as necessary, taking, or recommending that the Board take, appropriate action to oversee the independence of the independent auditor.

VIII. Audit Committee Meetings

(a) At the request of the independent auditor, convene a meeting of the Audit Committee to consider matters the auditor believes should be brought to the attention of the Directors or shareholders.

(b) Keep minutes of its meetings and report to the Board for approval of any actions taken or recommendations made.

IX. Restrictions

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(a) Ensure no restrictions are placed by management on the scope of the auditors' review and examination of the Company's accounts.

(b) Ensure that no Officer or Director attempts to fraudulently influence, coerce, manipulate or mislead any accountant engaged in auditing of the Company's financial statements.

AUDIT AND REVIEW PROCESS AND RESULTS

X. Scope

(a) Consider, in consultation with the independent auditor, the audit scope and plan of the independent auditor.

XI. Review Process and Results

(a) Consider and review with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as the same may be modified or supplemented from time to time.

(b) Review and discuss with management and the independent auditor at the completion of the annual examination:

- the Company's audited financial statements and related notes;
- the Company's MD&A and news releases related to financial results;
- the independent auditor's audit of the financial statements and its report thereon;
- any significant changes required in the independent auditor's audit plan;
- any non-GAAP related financial information;
- any serious difficulties or disputes with management encountered during the course of the audit; and
- other matters related to the conduct of the audit, which are to be communicated to the Audit Committee under generally accepted auditing standards.

(c) Review, discuss with management and approve annual and interim quarterly financial statements prior to public disclosure.

(d) Review and discuss with management and the independent auditor the adequacy of the Company's internal controls that management and the Board have established and the effectiveness of those systems, and inquire of management and the independent auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Company.

(e) Meet separately with the independent auditor and management, as necessary or appropriate, to discuss any matters that the Audit Committee or any of these groups believe should be discussed privately with the Audit Committee.

(f) Review and discuss with management and the independent auditor the accounting policies which may be viewed as critical, including all alternative treatments for financial information within generally accepted accounting principles that have been discussed with management, and review and discuss any significant changes in the accounting

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policies of the Company and industry accounting and regulatory financial reporting proposals that may have a significant impact on the Company's financial reports.

(g) Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures, if any, on the Company's financial statements.

(h) Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

(i) Review with the Company's legal counsel legal matters that may have a material impact on the financial statements, the Company's financial compliance policies and any material reports or inquiries received from regulators or governmental agencies related to financial matters.

SECURITIES REGULATORY FILINGS

(a) Review filings with the Canadian provincial securities commissions and the Securities and Exchange Commission and other published documents containing the Company's financial statements.

(b) Review, with management and the independent auditor, prior to filing with regulatory bodies, the interim quarterly financial reports (including related notes and Management's Discussion & Analysis) at the completion of any review engagement or other examination. The designated financial expert of the Audit Committee may represent the entire Audit Committee for purposes of this review.

RISK ASSESSMENT

(a) Meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

(b) Assess risk areas and policies to manage risk including, without limitation, environmental risk, insurance coverage and other areas as determined by the Board from time to time.

AMENDMENTS TO AUDIT COMMITTEE MANDATE

(a) Annually review this Mandate and propose amendments to be ratified by a simple majority of the Board.