

Management's Discussion and Analysis

Management for Xtreme Drilling Corp. ("Xtreme" or the "Company"), based this Management's Discussion and Analysis ("MD&A") on operating and financial results for the three months ended March 31, 2018, and provides comparative information for the three months ended March 31, 2017. Management recommends reading this discussion and analysis in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2017, and related notes (the "Audited Financial Statements").

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

The Company prepares its consolidated financial statements and comparative information in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise stated, all amounts are expressed in thousands of Canadian dollars ("CAD"), except share and per share data. The information in this MD&A was approved by Xtreme's Board of Directors. This MD&A is based on information available as of May 4, 2018, and incorporates all relevant considerations to that date.

Advisory Regarding Forward-Looking Information

This MD&A, or documents incorporated herein, contains forward-looking information ("FLI"). FLI is typically contained in statements with words such as "anticipate", "believe", "estimate", "expect", "plan", "schedule", "intend", "propose" or similar words suggesting future outcomes or an outlook. More particularly, this MD&A contains FLI that may relate to contracting, marketing, financing, construction, modifications, deployment, operation, and utilization of drilling rigs in the Company's current and future fleet. Although Xtreme believes expectations reflected in such FLI are reasonable, readers should not place undue reliance on them because Xtreme can give no assurance they will prove to be correct. There are many factors that could cause FLI not to be correct, including risks and uncertainties inherent in the Company's business.

FLI is based on certain factors and assumptions including, but not limited to:

- the assessment of current and projected future drilling and related operations;
- ongoing and future strategic business alliances, negotiations and opportunities to enter new, extend or complete existing contracts;
- the availability and cost of financing;
- currency exchange rates;
- timing and magnitude of capital expenditures;
- expenses and other variables affecting rig operation, modification and construction;
- the ability and commitment of vendors to provide rig equipment, services and supplies, including labor, in a cost-effective and timely manner;
- the issuance of applied-for patents;
- changes in tax structures and rates; and,
- government regulations.

Although Xtreme considers the assumptions used to prepare this MD&A reasonable, based on information available to management as of May 4, 2018, ultimately the assumptions may prove to be incorrect.

FLI is also subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from management's current expectations. These factors include, but are not limited to:

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- the cyclical nature of drilling market demand;
- currency exchange rates;
- commodity prices;
- access to credit and to equity markets;
- the availability and retention of qualified personnel;
- vendor-provided equipment components and services; and
- competition for customers.

Management's assumptions considered the following:

- ongoing access to key services, supplies and equipment required to continue operating and maintaining the rigs, including fuel;
- continued successful performance of drilling and related equipment;
- expectations regarding gross margin;
- recruitment and retention of qualified personnel;
- continuation or extension of existing long-term, multi-well contracts or other contracts;
- revenue expectations related to shorter-term drilling 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.

In preparing this MD&A, the following risk factors were considered:

- fluctuations in crude oil and natural gas prices, as well as supply and demand for the products;
- fluctuation in currency exchange and interest rates;
- financial stability of Xtreme's customers;
- current and future applications for Xtreme's proprietary technology;
- related services provided by, and competition from, other drilling contractors;
- regulatory and economic conditions in regions where Xtreme operates;
- environmental constraints;
- changes to government legislation;
- international trade barriers or restrictions; and,
- where appropriate, global economic, political and military events, as well as acts of terrorism, riots, strikes, insurrections, revolutions and civil war.

FLI contained in this MD&A 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 financial outlook information contained in this MD&A is not exhaustive and not appropriate for purposes other than for which it is disclosed here. Readers should not place undue importance on FLI and should not rely on this information as of any other date. Except as required pursuant to applicable securities laws, Xtreme disclaims any intention, and assumes no obligation, to update publicly or revise FLI to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such FLI or otherwise.

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Additional GAAP Measures

In this MD&A, the Company references additional generally accepted accounting principles ("GAAP") measures that are not defined terms under IFRS to assess performance because the Company believes they provide useful supplemental information to investors.

Operating cash flows from operations

Xtreme believes that operating cash flows from operations, as reported in the Consolidated Statements of Cash Flows, is a useful measure because it gives the Company and investors an indication of the funds the principal business activities generated prior to the consideration of working capital, which is primarily made up of highly liquid balances.

Corporate Overview

Xtreme designs, assembles, and operates a fleet of onshore high specification drilling rigs featuring leading-edge proprietary technology, modular transportation systems, and continuous integration of in-house advances in methodologies. Xtreme provides drilling rigs, equipment, and personnel on a contract basis.

Xtreme is a publicly traded company incorporated on May 24, 2005, under the Business Corporations Act of Alberta. The Company's registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5. The Company also maintains a headquarters in Houston, Texas.

Drilling Industry Conditions

The drilling industry depends largely on the level of capital spending by oil and gas companies for exploration, development and production. The fluctuation of the oil and gas prices have a direct and material impact on the exploration, development and production activities of Xtreme's customers. As a result, significant fluctuations in oil and natural gas prices may have a material impact on the Company's business, financial position and results of operations. In 2014, West Texas Intermediate ("WTI") oil prices (in USD) exceeded \$100 per barrel and dropped to a low of approximately \$30 per barrel in early 2016. For the first six months of 2017, the average price of oil was approximately \$50 per barrel. The second half of 2017 saw an increase in the price per barrel, closing at approximately \$60 per barrel at the end of 2017. Pricing has continued to fluctuate during the first quarter of 2018, but is maintaining at or above \$60 per barrel and closed at \$65.49 at March 31, 2018.

During the latter half of 2017, drilling activity in the US increased compared to prior year. According to Baker Hughes rig count data, the current operating rig count in the US is 1,021, up 151 from the same period in the prior year. Rig count and utilization are driven by market conditions and will fluctuate with expectations of oil prices. According to Moody's 2018 outlook, it is expected that the oil and gas industry will continue its slow recovery as upstream companies increase production, helping the midstream and services businesses as well. The production cuts led by the Organization of Petroleum Exporting Countries ("OPEC") appear to have largely reduced the supply overhang, with current global inventories at their historical averages. According to a 2017 published report, pricing is believed to remain within \$40 to \$60 per barrel through 2019, assuming continued compliance with global production targets. The Company believes that the outlook for drilling and oil field services companies is positive, with earnings likely to rise as upstream capital spending and the global rig count continue to increase.

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The contract drilling industry is highly competitive due to the large number of market participants and drilling rigs. The Company expects the overall number of rigs available to continue to decrease, with a focus on high efficiency, high performance rigs. With the expectation for contractors in the United States to provide more efficient services, Tier 1 AC rigs remain as the preferred rigs for US customers. Drilling contractors must deliver economic value by providing significant drilling and mobility efficiencies. Drilling rigs that deliver longer-reach horizontal well bores on a consistent basis are highly-sought-after and are driving the demand for leading edge, high efficiency Tier 1 AC rigs. Higher spec Tier 1 AC rigs continue to be in high demand and are at or near full utilization. Lower spec rigs are seeing a continued decline in utilization, lower day rates and retirements. The Company continues to focus on innovation, operational efficiency, and safety, and strives to differentiate the level of service from other competitors to maintain a competitive advantage in the market place. The competitive advantages consist of delivering rigs with new technology, moving systems, well trained personnel, high-capacity equipment, and quality of service and safety.

Drilling Services (XDR)

In January 2018, the first Evolution Series, or 850XE, rig commenced operations on a two-year term contract in Oklahoma. The second 850XE rig commenced operations with a leading Utica E&P company in March 2018 in the Appalachian Basin on an 18-month contract with a specified minimum day rate. The final 850XE rig was being mobilized to location in the Utica play of the Appalachian Basin at the end of the quarter and commenced operations on an 18-month contract in April 2018.

As of March 31, 2018, the Company had 10 active US drilling rigs working of the total available fleet of 12. As of the date of this MD&A, the Company had an active rig count of 11 drilling rigs earning revenue in Ohio, Colorado, North Dakota, and the Texas/Oklahoma border.

XDR 300 Strategic Review

In 2017, the Company began evaluating strategic alternatives with respect to the XDR 200 and XDR 300 series rigs. As part of the evaluation, the Company considered current opportunities in Canada, the US and internationally. It was determined that to maximize value related to these assets, it would be in the best interest of the Company and its shareholders to actively market these rigs for sale.

The Company sold its XDR 200 series rigs in 2017 and continues to actively market the remaining XDR 300 series rigs. These rigs are classified as assets held for sale as of March 31, 2018, and are stated at fair value of approximately \$12,100. During the first quarter of 2018, the Company recorded an impairment charge of approximately \$1,400 for these assets.

Financial and Operating Highlights from Operations

The following is a summary of selected financial and operating information of the Company's operations for each of the eight most recently completed quarters:

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(unaudited)

Three months ended	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
Revenue	21,321	16,323	18,172	15,141
Adjusted EBITDA ¹	1,468	818	1,008	(1,630)
Adjusted EBITDA as a percentage of revenue	7%	5%	6%	(11)%
Net loss	(5,926)	(9,564)	(8,673)	(48,366)
Net loss per share - basic	(0.08)	(0.13)	(0.12)	(0.61)
Operating cash flows from operations ¹	834	(3,130)	(3,096)	(4,957)
Capital assets	220,572	205,456	203,316	196,704
Total assets	262,927	251,573	253,171	272,798
Net debt ²	2,772	(8,126)	(19,144)	(41,682)
Operating days ¹	844	707	851	683
Utilization (percentage) ¹	85%	77%	93%	75%
Weighted average number of rigs in service	11	10	10	10
Total number of available rigs, end of quarter	12	10	10	10

Three months ended	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Revenue	12,379	9,929	8,468	7,369
Adjusted EBITDA ¹	(78)	(148)	(1,423)	(5,449)
Adjusted EBITDA as a percentage of revenue	(1)%	(1)%	(17)%	(74)%
Net loss	(12,168)	(11,122)	(29,542)	(28,699)
Net loss per share - basic	(0.14)	(0.13)	(0.35)	(0.34)
Operating cash flows from operations ¹	101	(1,032)	(1,168)	(10,849)
Capital assets	245,267	240,656	243,564	266,188
Total assets	348,083	366,762	373,104	409,794
Net debt ²	(88,152)	(113,882)	(118,863)	(110,794)
Operating days ¹	583	479	433	355
Utilization (percentage) ¹	36%	25%	22%	19%
Weighted average number of rigs in service	18	21	21	21
Total number of rigs, end of quarter	18	21	21	21

¹ See Non-GAAP measures² Total debt less cash and cash equivalent

2018 Analysis of Operations

For the quarter ended March 31, 2018

In the first quarter of 2018, operating days increased to 844 from 707 in the previous period, or 19 percent. The increase is principally attributed to the reactivation of two rigs during the quarter and the operating days contributed by two of the 850XE rigs that came on line during the period. Utilization increased to 85 percent in the first quarter of 2018 from 77 percent in the previous quarter. The increase in the number of operating days and utilization, corresponds to the increase in revenue over previous period.

In January 2018, the first Evolution Series, or 850XE, rig commenced operations on a two-year term contract in Oklahoma. The second 850XE rig commenced operations with a leading Utica E&P company in March 2018 in the

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Appalachian Basin on an 18-month contract with a specified minimum day rate. The final 850XE rig was being mobilized to location at the end of the quarter and commenced operations in April 2018.

2017 Analysis of Operations

For the quarter ended March 31, 2017

In the first quarter of 2017, operating days increased to 583 from 479 in the previous quarter, or 21 percent. This increase corresponds to the increase in revenue for the period.

During the first quarter of 2017, the Company made reductions in operational support and administrative personnel and recognized approximately \$70 of severance expense during the period.

During the first quarter, the Company commenced the upgrade to one of the three units as approved by the Board of Directors. Management of the Company reviewed the details of the rig to determine what components would remain on the rig, what components would be transferred to spares, and components for which the Company had no further use. Based on the review performed, for the first quarter of 2017 the Company wrote off those components for which the Company had no further use to estimated salvage value and recorded a loss of \$2,000. Effective January 1, 2017, the Company excluded these three units from its utilization calculation

Rig Upgrades

With its extensive experience in the design, manufacture, and deployment of high specification drilling equipment, Xtreme plans to fully leverage the capabilities and inventory of quality rigs to address market demand through upgraded drilling rigs. Upgrades may result in a change in tier classification and are typically performed at the request of a customer.

Total Available Fleet by Model

As of May 4, 2018, the Company has 10 XDR 500 rigs and 3 XDR 850XE rigs available for service. The XDR rigs have the following specifications:

Rig	Type	Max Hook Load (lbs)	Rig Hp	Pump Capacity
XDR 500	AC VFD	500K	1,500 hp AC	(2) 1,600 hp
XDR 850XE	AC VFD	850K	1,800 hp AC	(3) 1,600 hp

People

Xtreme places a high priority on the safety of its people. The ability to perform at a high level is a result of having an experienced, high performance crew. Xtreme's commitment to the people and their safety is highly valued by Xtreme's customers. As the market strengthens and the rigs return to service, there are anticipated challenges with respect to recruitment and retention of quality manpower. The Company relies heavily on its safety record, investment in employee development, and reputation to attract and retain employees. Xtreme strives to focus on initiatives that provide a safe and productive work environment, opportunity for advancement, and added wage

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security. Xtreme has developed a strong vision focusing on personnel, training, and development that align with the requirements of the customer as well as the jurisdiction in which the Company operates.

Utilization

Xtreme calculates utilization rates based upon drilling rigs available for service. Utilization rates are a key statistic for the drilling industry as they measure a company's potential revenue volume, operating efficiency, and influence pricing. During the three months ended March 31, 2018, Xtreme achieved 844 operating days and an average utilization rate of 85 percent based on an average of 11 rigs available for service. The rigs being upgraded were not available for service and are excluded from the utilization calculation starting January 1, 2017. The eight series 200 and 300 rigs classified as assets held for sale were excluded from the utilization calculation. Standby revenue is taken into account in Xtreme's utilization statistic.

Contingencies

The Company is subject to income taxes in Canada, the US and several foreign jurisdictions. Therefore, significant judgment is required in evaluating tax positions and determining the provision for income taxes. During the ordinary course of business, there are prevalent transactions and calculations for which the decisive tax determination is uncertain. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when the Company believes that certain positions might be challenged despite its belief that the Company's tax return positions are fully supportable. The Company adjusts these reserves in light of changing facts and circumstances, such as the outcome of tax audits. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. While fully supportable in the Company's view, some of these positions, including uncertain tax positions, if challenged may not be fully sustained on review.

Results of Operations – Three Months ended March 31, 2018 and 2017

Revenue, Operating Expenses and Gross Margin for Operations

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
Revenue	21,321	12,379	72 %
Operating expenses	17,470	9,812	78 %
Gross margin ¹	3,851	2,567	50 %
Gross margin as a percentage of revenue	18%	21%	(14)%
Adjusted EBITDA ¹	1,468	(78)	n/a
Adjusted EBITDA as a percentage of revenue	7%	(1)%	n/a
Operating cash flows from operations ¹	834	101	n/a
Operating days ¹	844	583	45 %
Revenue per operating day	25.3	21.2	19 %
Operating expenses per operating day	20.7	16.8	23 %
Gross margin per operating day	4.6	4.4	5 %
Rig utilization (percentage) ¹	85%	36%	136 %

¹ See Non-GAAP measures

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Three months ended March 31, 2018 compared to same period in 2017

Revenue for the three months ended March 31, 2018, increased compared to the same periods in 2017 primarily as a result of an increase in operating days, utilization and day rates. Included in first quarter 2018 revenue is revenue of approximately \$775 related to the mobilization of the first 850XE rig to location. For the three months ended March 31, 2018, operating days increased to 844 days from 583 days for the three months ended March 31, 2017, or 45 percent. Utilization for the three ended months March 31, 2018 and 2017, was 85 percent and 36 percent, respectively.

The average revenue per operating day increased for the three months ended March 31, 2018, compared to the same period in 2017 from \$21.2 to \$25.3. The increase is principally attributed to higher contract day rates recognized in the period when compared to prior year period and the impact of the mobilization revenue in 2018.

Operating expenses includes all direct and indirect costs associated with the operation, maintenance and support of the drilling equipment. The direct costs increase or decrease in proportion to rig utilization and operating days. Indirect costs are often not affected by changes in operating days and utilization. For the three months ended March 31, 2018, the operating expenses per day was \$20.7 compared to \$16.8 in the prior period. The increase is principally due to higher personnel related costs in 2018 as the company prepared for the three upgraded rigs activation and a benefit recognized in 2017 for duties and the recovery of bad debts.

Gross margin as a percentage of revenue for the three months ended March 31, 2018, was 18 percent and 21 percent for the three months ended March 31, 2017. Gross margin per operating day was \$4.6 and \$4.4 for the three months ended March 31, 2018 and 2017, respectively.

Adjusted EBITDA for the three months ended March 31, 2018, was \$1,468, an increase from \$(78) for the three months ended March 31, 2017. Adjusted EBITDA as a percentage of revenue was 7 percent and (1) percent for the three months ended March 31, 2018 and 2017, respectively. The increase in Adjusted EBITDA was primarily due to an increase in gross margin during the period.

Net cash used in operations for the three months ended March 31, 2018 and 2017, was \$1,011 and \$5,267, respectively. The increase was primarily driven by a decrease in the net loss and the changes in non-cash working capital items during the period.

The Company recorded a net loss for the three months ended March 31, 2018 and 2017, of \$5,926 and \$12,168, respectively. The decrease in net loss is principally due to an increase in revenue, gross margin and a decrease in depreciation expense and loss on disposal of equipment during the period.

The month-end exchange rate used to translate the USD denominated assets and liabilities to CAD was \$1.2894 at March 31, 2018, and \$1.2545 at December 31, 2017. The average exchange rate used to translate the USD denominated revenues and expenses for the three months ended March 31, 2018 and 2017, was \$1.2648 and \$1.3229, respectively.

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General and Administrative (“G&A”) Expenses

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
G&A expenses	2,383	2,645	(10)
As a percentage of revenue	11%	21%	

G&A expenses decreased to \$2,383 for the three months ended March 31, 2018, from \$2,645 compared to the same period in 2017 primarily due to a decrease in professional fees and lower infrastructure costs as a result of the closure of the Canadian office and downsizing of the Houston office. These decreases were partially offset by increases in personnel costs.

Depreciation Expense

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
Depreciation	5,225	9,085	(42)

Depreciation for the three months ended March 31, 2018, decreased compared to the same period in 2017 principally due to depreciation being recorded in the first quarter of 2017 for rigs 6, 7, and 8 as well as the rigs classified as assets held for sale. Beginning in the second quarter of 2017, depreciation on rigs 6, 7 and 8 was ceased as the rigs were undergoing upgrades. Depreciation on rigs classified as assets held for sale also ceased in the second quarter of 2017. These decreases were offset by the additional depreciation associated with the 850XE rigs that went into service in the first quarter of 2018.

Impairment of Assets Held for Sale

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
Impairment of property and equipment and assets held for sale	1,423	—	n/a

In the first quarter of 2018, the Company performed an evaluation of the indicators of impairment and recorded impairment charges related to as assets held for sale based on current market conditions.

Stock-Based Compensation

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
Stock-based compensation	209	232	(10)

Stock-based compensation for the three months ended March 31, 2018, was consistent with compared to the same period in 2017.

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Foreign Exchange (Gain) Loss

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
Foreign exchange (gain) loss	(170)	110	(255)

Foreign exchange losses and gains result directly from the fluctuation in values of the USD relative to the CAD on the assets and liabilities denominated in USD. Operations in the United States are denominated primarily in USD.

Loss on Disposal of Equipment and Assets Held for Sale

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
Loss on disposal of equipment and assets held for sale	—	2,682	(100)

During the first quarter of 2017, the Company wrote-off certain components associated with the upgrade of the first rig. For the first quarter of 2018, there were no sales or disposal of assets that resulted in a loss on disposal for the period.

Interest Expense

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
Interest expense	381	—	100

Interest expense for the three months ended March 31, 2018, increased compared to the same period in 2017 principally as a result of interest associated with a working capital line of credit entered into in third quarter of 2017 and outstanding borrowings. The Company had no outstanding debt for the three months ended March 31, 2017. The effective interest on the Company's outstanding borrowings is approximately 10.9% for the three months ended March 31, 2018.

Loss Before Tax

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
Loss before tax	(5,594)	(12,165)	(54)

Loss before tax for the three months ended March 31, 2018, decreased compared to the same period in 2017 due to an increase in gross margin and a decrease in depreciation expense and loss on disposal of equipment during the period.

Income Tax

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
Income tax expense	332	3	n/a

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The income tax expense for the three months ended March 31, 2018, relates to withholding taxes in foreign jurisdictions.

Net Loss

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	% Change
Net loss	(5,926)	(12,168)	(51)

The decrease in net loss for the three months ended March 31, 2018, compared to the respective period in 2017 is due to an increase in revenue, gross margin and a decrease in depreciation expense and loss on disposal of equipment during the period.

Financial Position

The following table outlines significant changes in the consolidated statement of financial position from December 31, 2017 to March 31, 2018:

	Increase (Decrease)	Explanation
Cash and cash equivalents	(7,771)	The decrease is the result cash outlays for capital expenditures partially offset by financing activities.
Accounts receivable	3,535	The increase is the result of an increase in activity levels during the period.
Inventory	1,185	The increase is principally the result of purchases for start up of operations in Ohio and Oklahoma related to the 850XE contracts.
Assets held for sale	(1,052)	The change in assets held for sale is the result of an impairment charge offset by unrealized foreign currency gains.
Property and equipment, net	15,116	The increase is principally the result of capital additions in the period, offset by depreciation expense.
Accounts payable and accrued liabilities	7,230	The increase is the result of increased activity levels and remaining payments due on the 850XE upgrades.
Secured borrowings	2,247	The increase is the result of incremental borrowings during the period.
Debt	2,999	The increase is principally the result of additional borrowings, offset by monthly payments.
Shareholders' equity	(1,086)	The decrease is the result of a net loss partially offset by the positive impact of foreign currency translation.

Financial Condition, Liquidity and Capital Resources

The charts below represent net debt as of March 31, 2018 and December 31, 2017.

	Mar 31, 2018	Dec 31, 2017
Total debt	10,451	7,324
Less: cash and cash equivalents	7,679	15,450
Net debt¹	2,772	(8,126)

¹ See "Non-GAAP Measures" below

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Net debt as of March 31, 2018, was \$2,772 reflecting an increase of approximately \$10,900 from net debt of \$(8,126) as of December 31, 2017. The increase in net debt was primarily due to an increase in total debt outstanding and a decrease in cash and cash equivalents.

Xtreme's cash requirements generally consist of working capital, capital expenditures and debt service. Xtreme's primary sources of liquidity are cash flows generated from operations and the various borrowing and secured borrowings described below. The Company actively manages the working capital and associated cash requirements and continually seek more effective use of cash.

Secured borrowings

On August 3, 2017, the Company signed a commitment with a financial institution that provides a working capital line of credit for up to \$10,000 USD (\$12,545 CAD) for a period of 18 months. The line is secured by the respective accounts receivables, inventory, and property and equipment, except for one rig which is used in the collateralized borrowings. As of March 31, 2018, approximately \$6,700 has been drawn on this commitment. The Company recognized interest expense of approximately \$100 for the first quarter of 2018.

Collateralized borrowing

On November 14, 2017, the Company entered into an agreement with a commercial lender to provide \$6,000 USD (\$7,527 CAD) loan secured by one of the upgraded rigs. On March 1, 2018, the Company amended its agreement with the commercial lender to provide an additional loan of \$3,000 USD (\$3,900 CAD) under the collateralized debt agreement. As of March 31, 2018, approximately \$8,100 USD (\$10,500 CAD) was outstanding. There are no debt covenants related to this debt agreement.

In April 2018, the Company entered into an agreement with a commercial lender to provide a loan in the amount of \$4,000 USD. The loan, secured by one of the upgraded rigs, was funded on April 27, 2018 and has an effective interest rate of approximately 13 percent.

Liquidity Risks

See "Business Risks and Uncertainties" below for a discussion of the Company's liquidity risks.

Capital Expenditures and Commitments

	Three months ended	
	Mar 31, 2018	Mar 31, 2017
Capital expenditures	16,075	18,718

Capital expenditures for the three months ended March 31, 2018, decreased compared to the same periods in 2017 primarily due to the upgrades of the rigs nearing completion.

	Mar 31, 2018	Dec 31, 2017	Change
Commitments	4,097	10,597	(61)%

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Commitments as of March 31, 2018, decreased from the year ended December 31, 2017, primarily due the upgrades of the rigs nearing completion.

Contractual obligations

The table below illustrates various contractual obligations which Xtreme expects to pay.

Contractual obligations	Total	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Accounts payable and accrued liabilities	19,444	19,444	–	–	–
Secured borrowings	6,666	6,666	–	–	–
Debt	10,323	2,387	7,936	–	–
Interest	2,628	1,147	1,481	–	–
Finance leases	675	137	298	240	–
Operating leases	2,843	819	1,088	773	163
Total contractual obligations	42,579	30,612	10,959	1,013	163

Segmented Information

The Company determines its operating segments based on internal information regularly reviewed by the chief operating decision maker to allocate resources and assess performance. For the three months ended March 31, 2017, the Company was engaged in two geographic areas - Canada and the US - with one operating segment, which is drilling services. The Company ceased operations in Canada during the third quarter of 2017. For the three months ended March 31, 2018, the Company was engaged in one geographic area - the US - with one operating segment, which is drilling services.

Revenue and assets by geographic area for operations

Three Months Ended March 31, 2018	United States	Canada	Other international	Total
Revenue	21,321	–	–	21,321
Total assets	247,288	1,646	13,993	262,927

Three Months Ended March 31, 2017	United States	Canada	Other international	Total
Revenue	11,464	915	–	12,379
Total assets	238,755	25,286	84,042	348,083

Disaggregated revenue

The following table includes a reconciliation of disaggregated revenue by the term of the contract. Long term contracts extend beyond 12 months, while short-term and well-to-well contract are less than 12 months. Mobilization revenue represents revenue resulting from the mobilization of rigs to location.

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	For the three months ended	
	March 31, 2018	March 31, 2017
Long-term contracts	2,361	—
Short-term/well-to-well contracts	18,201	12,379
Mobilization	759	—
Total revenue	21,321	12,379

Outstanding Common Shares

	Mar 31, 2018	Dec 31, 2017
Balance, beginning of period	74,982,894	85,091,367
Employee options exercised	—	100,000
Restricted stock units vested	—	208,193
Purchase of common shares	—	(10,416,666)
Balance, end of period	74,982,894	74,982,894

Share capital on May 4, 2018, was \$298,262 and 74,982,894 common shares were issued and outstanding. At March 31, 2018, Xtreme had outstanding options to purchase approximately 766,000 common shares (December 31, 2017 – 766,000), at a weighted average exercise price of \$2.47 per share (December 31, 2017 – \$2.47).

On April 3, 2017, the Company announced its intent to undertake a substantial issuer bid to purchase up to an aggregate of \$25,000 in Xtreme shares through a Dutch Auction tender process (the "Substantial Issuer Bid"). The Substantial Issuer Bid demonstrated Xtreme's confidence in the strength of the business and commitment to delivering shareholder value through the return of capital and enhancing liquidity to shareholders that elect to tender their Xtreme shares.

The Board of Directors appointed an independent committee of the Directors to set the price and details around the Proposed Issuer Bid.

In June 2017, the Company completed its substantial issuer bid to purchase up to an aggregate \$25,000 in Xtreme shares through a Dutch auction tender process. The Company took up and paid for 10,416,666 shares at a price of \$2.40 per share for an aggregate cost of approximately \$25,000 excluding fees and expenses related to the offer. The shares were subsequently canceled.

The Company's Incentive and Retention Plan ("the Incentive Plan") is designed to provide the Company's directors, officers and key employees and consultants with an opportunity to receive cash and/or equity-based incentives associated with common shares of the Company and to benefit from the appreciation of the common shares. Under the incentive plan, restricted stock units ("RSUs") granted to eligible individuals vest annually. Vested restricted stock units may be settled in cash or equity, at the discretion of the Company, at a value determined by the fair market value of the common shares at the vesting date. The fair value of the services received in exchange for the grant of the RSUs is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted including any market performance conditions, excluding the impact of any service and non-market performance vesting conditions, and including the impact of any non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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	Mar 31, 2018	Dec 31, 2017
RSUs outstanding, beginning of period	548,261	634,568
Granted	—	131,886
Vested	—	(208,193)
Forfeited	(31,408)	(10,000)
RSUs outstanding, end of period	516,853	548,261

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Non-GAAP Measures

This MD&A contains references to certain supplementary financial measures and associated per share data that do not have any standardized meaning prescribed under IFRS and, therefore, are considered non-GAAP measures. These measures have been described and presented to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and ability to generate funds to finance its operations.

These financial measures are computed on a consistent basis for each reporting period and include, Operating Days, Rig Utilization, Gross Margin, Adjusted EBITDA, and Net Debt. These measures may not be comparable to similar measures presented by other entities, and are further explained as follows.

Operating days

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

Rig utilization

Xtreme calculates rig utilization as total operating days for all rigs divided by total days available for service for all rigs. During 2017, rigs 6, 7, and 8 were not available for service and excluded from the calculation of utilization, until such time as the rigs are available for service. The rigs classified as assets held for sale are also excluded from the calculation of utilization.

Gross margin

Gross margin represents revenue less operating expenses. Management believes gross margin is a useful supplemental measure of the financial performance of Xtreme's principal business activities before considering how

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activities are financed or taxed, as well as other expenses not closely associated with activity levels. The following is the calculation of gross margin.

Gross margin

	Three months ended	
	Mar 31, 2018	Mar 31, 2017
Revenue	21,321	12,379
Less: Operating expenses	17,470	9,812
Gross margin	3,851	2,567
Gross margin as a percentage of revenue	18%	21%

Adjusted EBITDA

Adjusted EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization, asset write-offs / gains (losses) on disposal, share-based compensation, foreign exchange, and impairment of property and equipment. Adjusted EBITDA also excludes non-recurring items, such as termination revenue earned under customer contracts. Management believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's core business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, how the results are impacted by foreign exchange, how the results are impacted by the accounting standards associated with the Company's share-based compensation plans, and excluding the impact of non-cash impairment, depreciation and amortization charges.

Xtreme believes that this measure is useful to investors and analysts in allowing for greater transparency of operating performance and makes it easier to compare results with those of other companies within the industry. Adjusted EBITDA should not be considered (a) in isolation of, or as a substitute for, net income (loss), (b) as an indication of cash flows from operating activities or (c) as a measure of liquidity. In addition, Adjusted EBITDA does not represent funds available for discretionary use. Adjusted EBITDA may not be comparable to other similarly titled measures reported by other companies.

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Adjusted EBITDA from operations

	Three months ended	
	Mar 31, 2018	Mar 31, 2017
Net loss	(5,926)	(12,168)
Interest expense	381	—
Depreciation	5,225	9,085
Tax expense	332	3
Total	12	(3,080)
Non-cash items:		
Impairment of assets held for sale	1,423	—
Stock-based compensation	209	232
Foreign exchange (gain) loss	(170)	110
Loss on disposal of equipment	—	2,682
Total non-cash items	1,462	3,024
Non-recurring items:		
Other income	(6)	(22)
Total non-recurring items	(6)	(22)
Adjusted EBITDA	1,468	(78)

Adjusted EBITDA from operations increased to \$1,468 for the three months ended March 31, 2018 from \$(78) for the three months ended March 31, 2017. The increase in Adjusted EBITDA was primarily due to an increase in gross margin during the period.

Net debt

Net debt is a measurement used by management and the investment community which is composed of total debt, including amounts outstanding under the operating line, less cash and cash equivalents.

Critical Accounting Estimates and Judgments

The preparation of interim and annual financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Critical accounting judgments

Significant judgments are used in the application of accounting policies related to the following material amounts recognized in the consolidated financial statements:

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Cash generating units

Assets are grouped into cash generating units ("CGU") for the purpose of impairment testing. A CGU is defined as the lower grouping of integrated assets that generate identifiable cash inflows that are largely independent of cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretation with respect to interchangeability of rig characteristics and technology, geographic proximity, and other economic factors, including price and contract risk, operational risk, development costs and tax regimes.

The Company's method of aggregating its assets for identifying the CGU has changed since the previous estimate of recoverable amount. Previously, assets within a geographic region were aggregated together to form a CGU. As a result of the disposal of the XSR business in 2016, centralization of operations into the US and changes in drilling technology, the Company now aggregates its assets by fleet series group to form the CGU.

Critical accounting estimates

Xtreme uses significant estimates in the determination of a number of account balances. Therefore, the estimates have a significant risk of causing a material adjustment to the carrying amounts of the underlying assets and liabilities within the next fiscal year. Material accounts subject to significant estimates are as follows:

Impairment of long-lived assets and assets held for sale

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. Recoverable amount is defined as the higher of an asset's fair value less costs of disposal and its value in use. Where the carrying value exceeds the recoverable amount the asset is impaired and an impairment loss is required to be recognized.

Value in use is calculated using a discounted future cash flow model which requires management to make estimates of the future net cash flows to be generated from drilling rig and service rig activities. These estimates are dependent upon future rig utilization rates, rig rates, and other costs of operating drilling and coil service rigs. In calculating fair value less costs of disposal, management relies on third party valuation reports. As a result, any impairment losses are a result of management's best estimates of expected revenues, expenses and cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside management's control.

Depreciation

Property and equipment represents approximately 84 percent of the total assets of the Company. The carrying value of these assets is based on the Company's property and equipment accounting policies which incorporates estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values of the rigs.

Depreciation of the Company's property and equipment incorporates estimates of useful lives and residual values for the rig components and related equipment, including spares, which are determined by applying assumptions and judgments that reflect both the historical experience and expectations regarding future operations, utilization, recoverability and asset performance. These estimates may change as more experience is obtained or as general market conditions change, thereby impacting the carrying value of the Company's property and equipment. Useful

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lives are difficult to estimate due to a variety of factors, including, but not limited to, technological advances that impact the methods of oil and gas exploration and recovery, changes in market or economic conditions, changes in laws or regulations, obsolescence, access to capital, and utilization. The Company evaluates the remaining useful lives of the rig components and related equipment when certain events occur that directly impact the assessment of remaining useful lives, including changes in operating conditions, functional capability and market and other economic factors.

Fair value of financial instruments

The Company's financial instruments included in the interim consolidated statements of financial position are comprised of cash and cash equivalents, accounts receivable, current liabilities, bank indebtedness and long-term debt. The fair values of financial instruments included in the interim consolidated statement of financial positions approximate their carrying amounts due to the short-term maturity of those instruments. Long-term debt is carried at amortized cost using the effective interest method of amortization.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. Estimates of the Company's future taxable income have been considered in assessing the utilization of available tax losses. The Company's business is complex and the calculation of income taxes involves many complex factors as well as the Company's interpretation of relevant tax legislation and regulations.

Stock-based compensation

The fair value of options is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends. The fair value of restricted stock units and performance stock units is recognized based on the market value of the Company's common shares underlying these compensation programs.

Uncertain tax positions

The Company reviews the adequacy of provisions for taxes at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities in the various jurisdictions in which the Company operates. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

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Critical Accounting Policies

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs related to major inspection and overhaul are recognized as part of the carrying amount of property and equipment if they meet the asset recognition criteria. The major overhaul component will then be depreciated on a straight-line basis over the useful life, which is estimated to be over the period to the next overhaul. Any remaining costs will be derecognized when the next overhaul is performed. Costs of the day-to-day servicing of property and equipment are expensed as incurred.

The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of depreciation and useful lives of the assets are reviewed at least annually and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the interim consolidated statement of loss.

Depreciation

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life of between 3 and 15 years. Drilling equipment uses an estimated residual value between zero and 20 percent of historical cost. The Company believes the straight-line method of depreciation is the most appropriate basis for allocating the depreciable value over its useful life.

Inventory

Inventory is composed of consumables and parts, and is recorded at the lower of cost and net realizable value determined on a specific-item basis. The cost of inventory is comprised of the purchase price paid to a third party plus applicable duties, freight and shipping costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered. The Company recognizes revenue when the amount of revenue

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can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as specified below.

The Company's services are generally sold based upon service orders or contracts with customers that include fixed or determinable prices based on daily, hourly, or job rates. Customer contract terms do not include provisions for significant post-service delivery obligations. Revenue is recognized when services are rendered and only when collectability is reasonably assured. Drilling operations revenue is recognized in the accounting period in which the services are rendered, with reference to the stage of completion of the specific transaction and assessed on the basis of the actual services provided as a proportion of the total services to be provided.

Early termination revenue occurs when a customer has decided to negotiate the termination of an existing drilling contract before the expiration of the original terms of the contract. Early termination revenue is recognized when an amount has been agreed upon by both parties, collection is probable, and the Company does not have any further services to render in order to earn the estimated revenue. These amounts are generally recorded as lump sum payments when a contract is canceled. Some early termination contracts include a clause that would nullify a portion of the early termination revenue if the rig was re-contracted to a new customer. In these cases, the Company recognizes the early termination amounts on a monthly basis until the contract is complete or the rig is re-contracted and the early termination contract is nullified. Amounts collected would be recorded in deferred revenue initially and amortized into revenue per an appropriate recognition method.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Board of Directors of Xtreme.

New and Amended Standards Adopted by the Company

Revenue

The Company adopted the following new or amended standards for the period ended March 31, 2018.

The Company adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") on January 1, 2018, using the full retrospective transition method.

The comparative figures in the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2017 were not required to be restated as a result of the adoption of IFRS 15.

The Company enters into contracts to provide drilling services to customers. These contracts contain both lease and non-lease revenue components, representing drilling rig rental income and drilling services revenue, respectively. Drilling rig rental income is accounted for under IAS 17 *Leases*. Revenue from drilling services is accounted for under IFRS 15.

Determining whether the services provided are considered distinct performance obligations can require significant judgment. Revenue is allocated to the respective performance obligations based on relative transaction prices, and

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is recognized as services are delivered to the customer. Revenue is measured as the amount of consideration expected to be received in exchange for the services delivered.

Contract modifications are accounted for prospectively or as a cumulative catch-up adjustment depending on the nature of the change. Revenue from drilling services is recognized as services are delivered to the customer.

Financial Instruments

The Company adopted IFRS 9, *Financial Instruments* ("IFRS 9"), on January 1, 2018.

IFRS 9 replaces the provisions of IAS 39, "*Financial Instruments: Recognition and Measurement*", that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 resulted in no impact on the amounts recognized in the financial statements.

Classification

From January 1, 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. At March 31, 2018, the Company's only financial assets are trade receivables and contract assets relating to unbilled work in progress.

Measurement

Trade receivables represent assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest. As such, the Company's trade receivables continue to be classified and measured at amortized cost. Interest income associated with trade receivables is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Impairment

From January 1, 2018, the Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income ("FVTOCI"). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The contract

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assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

Business Risks and Uncertainties

The Company derives all its revenue from companies in the oil and gas production industry, historically an industry significantly impacted by the cyclical nature of the industry and the volatility of oil and gas prices. As a result, a number of risks and uncertainties affect Xtreme's operations. Although the Company takes action to mitigate these risks where possible, many risks are beyond management's control. The business risks and uncertainties of the interim consolidated financial statements are consistent with those of the previous year. The following discussion does not constitute an exhaustive list of all possible risks.

Liquidity risk

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. Xtreme's ability to continue its drilling activities and any future activities, and to continue to execute its operating and growth plan, will depend in part on its ability to continue to manage its existing working capital, generate drilling revenue and / or to obtain suitable financing. The Company had consolidated working capital of approximately \$600 as of March 31, 2018. The Company intends to fund its plan of operations from its existing working capital, current drilling operations and obtaining additional financing as needed.

It is possible that the Company, along with other drilling companies, may experience restricted access to capital, credit facilities and equity markets, 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.

The Company will continue to review and explore strategic options for financing as needed. To the extent internal cash resources would be exhausted and external sources of capital become limited or unavailable, or available on unacceptable terms, the Company's ability to make capital investments and to maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and, consequently, results of operations may be materially and adversely affected.

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. The failure of the Company to meet its ongoing obligations and on a timely basis could result in a failure to execute under current customer contracts and agreements and realization of assets and settlement of liabilities in other than the normal course of

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business may be at amounts significantly different than those included in the Company's annual information form for the year ended December 31, 2017.

Credit risk

Credit risk is managed on a consolidated basis, except for credit risk relating to accounts receivable balances. The Company is responsible for managing and analyzing the credit risk for each new customer before standard payment and delivery terms and conditions are offered. Credit risk arises from deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. For deposits, the Company only deals with independently rated institutions that have a minimum rating of 'A'. Most of the Company's customers are not independently rated, therefore the quality of the customer is considered by taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored. No credit limits were exceeded during the reporting period. At March 31, 2018, and December 31, 2017, the Company had no provision for doubtful accounts. The maximum exposure to credit risk for deposits approximates the amount recognized on the statement of financial position. The Company does not hold any collateral as security.

The following table summarizes the Xtreme's accounts receivable amounts as of March 31, 2018, and December 31, 2017.

Accounts receivable	Mar 31, 2018	Dec 31, 2017
Less than 90 days	15,484	11,657
Greater than 90 days and less than 180 days	132	414
Greater than 180 days	—	10
	15,616	12,081
Provision for doubtful accounts	—	—
Total accounts receivable	15,616	12,081

In 2017, the Company signed a commitment with a financial institution that provides a working capital line of credit secured by accounts receivable, inventory, and property and equipment. The commitment provides funding to the Company based on the accounts receivable factored with the financial institution. The financial institution has the right to require the Company to repurchase any factored accounts receivable account that remains unpaid beyond ninety days from the original invoice date. The financial institution also has the right to review the credit rating of the Company's customers and revise its credit rating of the customer. This revised credit rating may have adverse impact on the available invoices to be used as collateral. The Company's management monitors the outstanding invoices and credit worthiness of the customers and believes the risk associated is minimal.

Foreign exchange

Foreign exchange volatility may give rise to gains or losses which have an effect on Xtreme's financial results. 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, operating expenses, general and administrative expenses, and other costs. Historically, Xtreme has also been exposed to risk from fluctuations in foreign currency exchange rates in the United States, Saudi Arabia and India. As a result, Xtreme's financial condition, results of operations and cash flows are impacted by changes in exchange rates between Canadian and United States dollars. For the three months ended March 31, 2018, a one percent change in the month-end exchange rate would have changed the

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net income before tax by approximately \$8. Month-end exchange rates used to translate the USD-denominated assets and liabilities to CAD were \$1.2894 at March 31, 2018, \$1.2545 at December 31, 2017, \$1.2480 at September 30, 2017, \$1.2977 at June 30, 2017, and \$1.3299 at March 31, 2017.

Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the current rate as of the balance sheet date and any realized foreign exchange gains or losses are included in income, except for unrealized gains and losses in self-sustaining foreign subsidiaries, which are recorded in other comprehensive income. The Company does not currently utilize derivative instruments to manage its exposure to foreign currency rate fluctuations. Presently, a one percent change in the foreign currency exchange rate would result in a change in other comprehensive income of approximately \$2,300.

Accounting Standards and Amendments Issued but Not Yet Adopted

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. These standards have not been adopted which may impact the Company in the future:

IFRS 16, Leases ("IFRS 16"), has been issued as a new standard on leases and will supersede International Accounting Standard ("IAS") 17, Leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. This standard provides a single recognition and measurement model to be applied to leases, with required recognition of assets and liabilities for most leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Outlook

Xtreme finalized the rig build portion of the 850XE program in the first quarter of 2018. Two of the three rigs commenced operations during the quarter with the third rig spudding its first well in mid-April. The completion of the 850XE design and build is a significant milestone for the Company. The combination of drilling depth capacity and technological innovation make the 850XE the ideal rig design for the most challenging of US pad drilling operations. The Company envisions opportunities in the future to create additional scale around the 850XE platform.

Initial performance has been encouraging for the 850XE rigs. Aside from normal start-up items and final commissioning the drilling penetration rate and non-drilling efficiencies have been as expected. Once the Company has completed several wells we are confident that the 850XE will fully live up to the goal of being the most optimized pad drilling rig in US land.

The nine marketed XDR 500 fleet continued to perform well in the first quarter of 2018. Utilization increased as two rigs returned to work in January. Currently, the Company has two XDR 500 rigs idle but anticipates one returning to work in the coming weeks. Overall, the XDR 500 rigs are efficient AC electric rigs with a history of

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impressive performance across multiple US basins. Today they operate primarily in the DJ, Williston and Anadarko Basins of Colorado, North Dakota and Oklahoma respectively.

The supportive WTI oil prices and demand for efficient rigs provides a relatively strong macro environment. Overall, the Company has an optimistic outlook for the US drilling business over the coming 12 months. The Company has a significant contract backlog and will look for opportunities to improve pricing as rigs roll off contract.

Additional Information

Information relating to Xtreme is available on SEDAR at www.sedar.com. To obtain copies of published corporate information, contact the Corporate Secretary at Xtreme Drilling Corp., 9811 Katy Freeway, Suite 225, Houston, TX, 77024 (telephone 1-281-994-4600), visit Xtreme's website www.xtremedrillingcorp.com or ir@xdccorp.com.