ANNUAL INFORMATION FORM

Year ended December 31, 2016

March 31, 2017

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Advisory Regarding Forward-Looking Information

This AIF, 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 AIF contains FLI that may relate to contracting, marketing, financing, construction, modifications, deployment, operation, and utilization of drilling rigs in the Corporation’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 Corporation'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 AIF reasonable, based on information available to management as of March 31, 2017, 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:

- the cyclical nature of drilling market demand, currency exchange rates and 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 AIF, the following risk factors were considered:

- fluctuations in crude oil and natural gas prices, as well as supply and demand;
- 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 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 financial outlook information contained in this AIF is 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.

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.xdccorp.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;

"**Board of Directors**" means the board of directors of Xtreme;

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

"**India**" means the Republic of India;

"**Saudi Arabia**" means the Kingdom of Saudi Arabia;

"**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;

"**United States**" or "**US**" means the United States of America;

"**XDR**" means Xtreme's drilling services segment;

"**XSR**" means Xtreme's prior coil services segment; and

"**Xtreme**" or the "**Corporation**", "**we**", "**us**", "**our**" and similar expressions mean and refer to Xtreme Drilling Corp., a Corporation 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 DRILLING CORP.

General

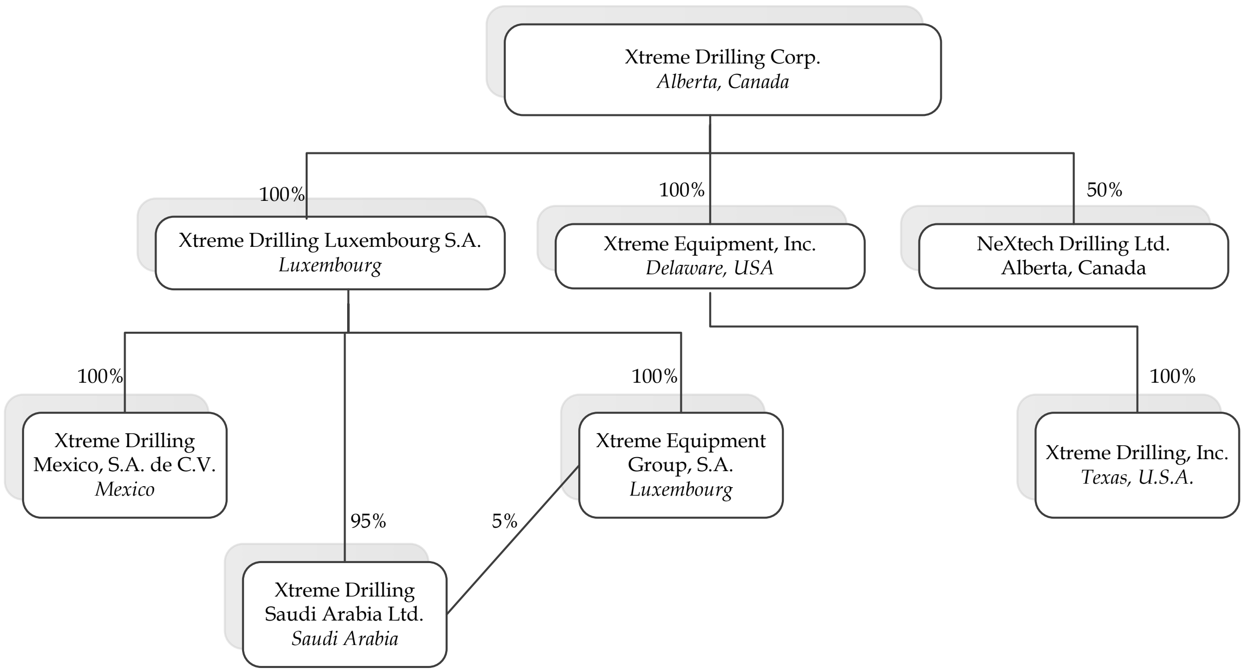
The Corporation was formed on May 1, 2006 by the amalgamation under the ABCA of Norquay Capital Ltd. and Xtreme Coil Drilling Corp. on the terms and conditions set forth in the amended and restated amalgamation agreement dated March 20, 2006, and approved at meetings of the shareholders of each entity 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.

Other than as described below, there have been no material amendments to the Corporation’s constating documents. At the Corporation’s Annual and Special Meeting of Shareholders held on April 22, 2009, certain amendments to the Corporation’s bylaws were approved by the Corporation’s shareholders. Full details of such amendments are described in the Corporation’s management information circular dated March 16, 2009 which is available on SEDAR. In September 2011, Xtreme began operating under the brand name “Xtreme Drilling and Coil Services”. The shareholders of the Corporation approved the 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 held on April 18, 2012. On June 21, 2016 at the Special Meeting of Shareholders, the Corporation’s shareholders approved the articles of amendment to change the name of Xtreme from “Xtreme Drilling and Coil Services Corp.” to “Xtreme Drilling Corp.”, as the Corporation sold the Coil Tubing Well Services Division to Schlumberger Middle East, S.A. and Schlumberger Technology Corporation.

The Corporation’s head office is located at 770, 340 – 12th Avenue S.W., Calgary, Alberta T2R 1L5 and its registered office is located at 4300, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5. The Corporation also maintains a headquarters in Houston, Texas..

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 Drilling Corp.	Province of Alberta
NeXtech Drilling Ltd. [1]	Province of Alberta
Xtreme Equipment, Inc.	State of Delaware
Xtreme Drilling (Luxembourg) S.A.[2]	Grand Duchy of Luxembourg
Xtreme Drilling, Inc. [3]	State of Texas
Xtreme Drilling Mexico, S.A. de C.V.	Tihuatlan, Veracruz, México
Xtreme Equipment Group S.A.	Grand Duchy of Luxembourg
Xtreme Drilling Saudi Arabia Ltd.	Kingdom of Saudi Arabia

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) Xtreme Drilling (Luxembourg) S.A. was formerly known as Xtreme Drilling and Coil Services (Luxembourg) S.A.
(3) Xtreme Drilling, Inc. was formerly known as Xtreme Drilling and Coil Services, Inc .
(4) Xtreme Drilling Saudi Arabia Ltd.was formerly known as Xtreme Coil Drilling Saudi Arabia Ltd.

GENERAL DEVELOPMENT OF THE BUSINESS

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

Xtreme's XDR drilling rigs are focused in the Rocky Mountain region, primarily in the Denver-Julesburg Basin in Colorado and the Corporation has successfully penetrated a new market in the Anadarko Basin in Oklahoma. The rig fleet consists of a majority of Tier-1 rigs and the fleet enjoys a competitive advantage 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 owns 21 XDR rigs, of which six are under contract in Canada and the United States.

A detailed description of the historical development of the business of Xtreme since December 31, 2014 is outlined below.

Three Year History

2014

The fourth of four new XSR units commenced operations in the Eagle Ford market in early January 2014. The first three commenced operations in 2013.

On February 25, 2014, the Corporation closed on the purchase of the remaining 20 percent non-controlling interest with its partners in relation to its Saudi Arabian operations. Specifically, the Corporation would pay up to $13,500,000 USD, of which $10,500,000 USD was funded at closing and the remaining $3,000,000 USD ($3,190,750 CAD) would be paid if certain performance metrics are met over the following 18 months.

Mr. J. William Franklin, Jr. joined the Board of Directors, replacing Mr. Saad Bargach as representative for Lime Rock Partners.

In May 2014, Mr. Richard Havinga, President and Chief Technology Officer, resigned.

In June 2014, the Corporation announced at $54 million capital expansion program that would increase the XSR units from four to twelve units over 2015 and 2016 to meet the demand for its ultra-deep coiled tubing completion services in the Eagle Ford Shale, as well as expanding its service to other shale markets.

Two XDR 300 rigs underwent modifications and upgrades and were shipped to India during the second quarter of 2014. These rigs were mobilized on a long term contract at significantly higher rates than could be achieved in the US or Canadian markets. The first rig commenced operations in late July and the second rig commenced operations in mid-August 2014.

In Saudi Arabia, the two XSR units on the coiled tubing drilling project set a record in the third quarter of 2014, for most lateral footage drilled in a month. At the end of 2014 the contract had 21 months remaining per unit with an additional 12 month customer option.

In early December 2014, the XSR division deployed the first of three new build XSR units and operated for 16 days.

2015

In January 2015, the second of the three new build XSR units was deployed. Due to declining market conditions, the Corporation decreased the capital budget and made the decision to build only one more of the six planned new XSR units scheduled for delivery in 2015 and 2016. This unit was delivered in April 2015, and in addition to two units that were delivered in November and January, brought the total United States XSR coiled tubing fleet to seven units.

During the first quarter of 2015, the Corporation made reductions in operational support and administrative personnel. Headcount for indirect operating personnel, as well as general and administrative overhead, was decreased by 25 percent and Corporation recognized approximately $944,000 of severance expense during the period. The Corporation also settled a prior legal matter for a cost of $556,000 in the first quarter of 2015.

On April 22, 2015, Mr. J. Erik Vollebregt was elected to the Board of Directors, replacing Mr. Peter Sharpe as a representative for Shell Technology Ventures Fund1 B.V.

In May 2015, the Corporation promoted Chief Financial Officer Matt Porter to the position of President and Chief Financial Officer. In addition, Vice President of Coiled Tubing Charlie Proulx was promoted to Senior Vice President.

The Corporation delivered the third new build XSR unit in June 2015.

During the third quarter, due to the decline in oil and natural gas prices which resulted in significant decreases in industry activity, adversely impacting current and expected future business and estimated recoverable amounts, the Corporation recorded an impairment of property and equipment for the US XDR cash generating unit.

In October 2015, a XSR unit completed the longest lateral millout of 12,450 feet on a well that kicked off at 6,500 ft.

The two XDR 300 rigs operating in India completed operations in December 2015 and were de-mobilized back to the United States.

2016

In January 2016, Xtreme further reduced corporate and indirect personnel and reduced corporate and field level wages by an average of 9%.

On March 10, 2016, the Corporation reached an agreement with a syndicate of financial institutions to enter into an amended and restated senior credit facility for $90 million USD.

Xtreme announced on April 27, 2016, that it and and certain of its affiliated companies entered into a definitive agreement with two affiliated companies of Schlumberger, pursuant to which the purchasers agreed to acquire all of the assets, including 11 XSR coiled tubing units and associated intellectual property, of Xtreme's XSR Coiled Tubing Services Segment for total proceeds of $205 million.

On April 27, 2016, Mr. J. Erik Vollebregt, a representative for Shell Technology Ventures Fund1 B.V. resigned from the Board of Directors.

Mr. Colin Burnett with Abbotsford Capital Limited was appointed to the Board of Directors as a representative for Shell Technology Ventures Fund1 B.V. on May 2, 2017.

Xtreme announced the results of the Special Meeting of Shareholders, held on June 21, 2016, at which the Shareholders approved the resolution relating to the sale of all of the assets of Xtreme used or held for use in connection with Xtreme's Coil Tubing Well Services division to Schlumberger (the "**Transaction Resolution**"). Of the 64,210,678 votes cast on the Transaction Resolution, 64,175,513 votes were in favor (99.95%) and 35,165 votes were against (0.05%).

On June 23, 2016, the Corporation announced sale of its XSR Coiled Tubing Services Segment to certain affiliated companies of Schlumberger for $205 million (the "**Transaction**") had been completed.

Xtreme announced its planned name change from "Xtreme Drilling and Coil Services Corp." to "Xtreme Drilling Corp." was completed effective July 4, 2016. The name change resolution was approved by shareholders at the Corporation's special meeting of shareholders held on June 21, 2016.

The Corporation announced management changes on August 4, 2016. Tom Wood was replaced as Chief Executive Officer by Matt Porter in the position of President and Chief Executive Officer. Mr. Wood was also replaced by Mr. Porter on the Board of Directors of the Corporation. Mr. Porter stepped down from his role as Chief Financial Officer. The Corporation further announced the promotion of Martin Ramirez to Vice President, Finance and Corporate Development and the promotion of John Wray to Vice President, Drilling Operations. Mr. Ramirez assumed the responsibilities of principal financial officer of the Corporation.

During the third quarter of 2016, the Corporation paid all outstanding debt and terminated the existing credit facility and agreement with the syndicate of financial institutions. At quarter end the Corporation had no long term debt and a cash balance of $122.2 million, including restricted cash of about $11.0 million related to the XSR sale.

On November 3, 2016 the Corporation announced it had developed an upgrade plan for its XDR 400 rig. The upgraded rig will be re-classified as an 850XE and will be marketed as one of the most reliable and efficient rigs for pad drilling in North America. The design is consistent with Xtreme's innovative and technology focused legacy.

Recent Events – 2017

On January 16, 2017, the Corporation announced plans to upgrade three XDR 400 rigs to the 850XE design. Upon completion of the upgrade program in 2017 the Corporation will have 13 AC electric heavy triple rigs (3 – 850XE and 10 – XDR 500) and 8 AC electric single rigs (4 – XDR 300 and 4 – XDR 200).

On March 8, 2017, Xtreme announced that it signed a two-year term contract on the first 850XE upgrade which is scheduled for delivery to Oklahoma in the third quarter of 2017. This level of commitment in the current rig market is validation of the 850XE rig design and value to the customer. The second and third 850XE upgrades are scheduled for delivery in October and December of 2017, respectively. Xtreme anticipates having both additional 850XE rigs contracted in the coming months. In addition, the Corporation recently contracted its seventh optimized XDR 500 rig and anticipates it going to work in mid-April.

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 2017 financial year.

Significant Acquisitions and Dispositions

Effective June 22, 2016, the Corporation sold substantially all of the XSR assets to Schlumberger Technology Corporation and Schlumberger Middle East, collectively "Schlumberger", for $205,000. The sale included eleven operating units and related equipment, inventory and consumables, and patents and intellectual property, as well as customer lists and the transfer of rights under contracts held by the XSR business segment, which has operations in the US and Saudi Arabia. Assets excluded from the sale include real property and land belonging to the XSR segment.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

General

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.

Currently Xtreme operates one service line, XDR, under contracts with oil and natural gas exploration and production companies and integrated oilfield service providers in Canada and the US. Xtreme continues to evaluate opportunities for additional projects within, and beyond, these core regions of operation. In total the Corporation has 21 XDR drilling rigs available. At the end of 2016, seven of 21 XDR rigs were operating (six in the US and one in Canada).

There has been a shift in drilling demand to deep, unconventional resource plays for which deeper capacity rigs are well suited. In response to the market's need for these higher spec rigs, and building upon our legacy of continuous innovation to improve performance and meet customer needs, Xtreme designed and engineered the Evolution Series 850, or "850XE" the second half of 2016. When the first one is deployed in the third quarter 2017, it will be the fastest-moving, most efficient super spec rig in the US marketplace outfitted with various patented and industry first componentry.

Operations – Drilling Services (XDR)

Xtreme is helping operators in major North American resource plays improve their well productivity. The deep and complex wells dominating today's drilling landscape demand fit-for-purpose rigs capable of handling the unique challenges these projects present.

The Corporation continues to work closely with its customers during the downturn in the market and is committed to:

- Delivering high quality, high-efficiency services, at competitive pricing;
- Identifying, evaluating and pursuing opportunities in certain international markets where the demand for high-efficiency units is still prevalent;
- Maintaining an effective and efficient cost structure to support the business and operations, while focusing on our personnel and systems; and
- Managing its liquidity, balance sheet and focus on cash flow.

Modular transportation systems reduce the time it takes to move in, rig up and rig out from days to just hours. Integral skidding or walking systems for multi-well pad drilling offer the on-site mobility required in unconventional shale plays.

In response to the market's need for higher spec rigs, and building upon the Corporation's legacy of continuous innovation to improve performance and meet customer needs, Xtreme designed and engineered the Evolution Series 850, or "850XE", drilling rig in the latter part of 2016. This proprietary design not only meets the criteria for a super spec rig, but exceeds operators' requirements in anticipation that oil and gas well depths will continue to increase. The initial 850XE rigs will not be new builds, but rather upgrades of existing rigs-two XDR 400s (rigs 6 & 8) and the original XDR 500 (rig 7) built in 2007 to this design. When the first one is deployed in the third quarter of 2017, it will be the fastest-moving, most efficient super spec rig in the US marketplace-outfitted with various patented and industry-first componentry. From a capacity standpoint, the 850XE will have an 850,000 pound mast and a 1,800 horsepower AC drawworks total measured drilling depth capacity in excess of 27,500 ft. (8,350m) with 5 inch drill pipe.

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

While the XDR 300 rigs are also applicable for these deeper geological zones, these rigs continued to be marketed internationally, where their designs are better suited for medium to deeper geological zones. The XDR 200 rigs are designed to work primarily in shallow to medium horizontal resource plays and are marketed in East Central Alberta and West Central Saskatchewan.

Since October 2014, domestic and international oil prices have declined significantly resulting in a downturn in drilling activity. As a result of the decline in oil prices, the Corporation received early termination notices for five of its 14 drilling rigs that were earning revenues under term contracts during 2015 and 2016. The release of these drilling rigs resulted in approximately $460,000 and $10,600,000 of early termination payments which were recognized as revenue for the twelve months ended December 31, 2016 and 2015, respectively. The two rigs in India drilled their final wells in December 2015 and are back in the US being actively marketed both in the US and internationally.

In the first quarter of 2016, the XDR segment had a decrease in operating days compared to the previous quarter. The US XDR segment recognized $1,300,000 in standby revenues. The India XDR segment recognized mobilization revenue of $5,100,000 as the two drilling rigs moved back to the US. The three drilling rigs in Canada remained stacked during the quarter.

During the first quarter of 2016, the Corporation made reductions in operational support and administrative personnel and recognized approximately $280,000 of severance expense during the period.

In the second quarter of 2016, the US XDR segment had a decrease in operating days compared to the previous quarter and recognized an additional $1,200,000 in standby revenue. The US had three rigs working at the end of the quarter, while the three drilling rigs in Canada remained stacked. During the second quarter of 2016, the Corporation recorded $1,050,000 in allowance for doubtful accounts due to the deteriorating financial condition of certain customers.

In the third quarter of 2016, the US XDR segment had an increase in operating days compared to the previous quarter and recognized an additional $1,200,000 in standby revenues as well as $500,000 in early termination revenue. The US had four rigs working at the end of the quarter, while the three drilling rigs in Canada remained stacked during the quarter. During the third quarter, the Corporation recorded an impairment of property and equipment of $11,900,000 for the XDR cash generating unit.

During the third quarter of 2016, the Corporation made reductions in operational support and administrative personnel and recognized approximately $325,000 of severance expense during the period.

In the fourth quarter of 2016, the US XDR segment had an increase in operating days compared to the previous quarter and recognized an additional $280,000 in standby revenue. The Canada XDR segment had two rigs working during the quarter. At the end of the quarter, the US and Canada had five and one drilling rigs working, respectively.

At the date of this AIF, the Corporation had an active rig count of six working in Colorado, North Dakota and the Oklahoma/Texas border. Each of these rigs work for an operator targeting either liquid rich gas or oil.

Operational Capacity

Xtreme's rig fleet consists of 21 XDR drilling rigs.

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 drilling 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

In December 2016, the energy industry was experiencing a slight increase in utilization as a result of the stabilization of oil of around USD $50 per barrel, up from approximately USD $35 per barrel a year ago. The drop in oil prices in the previous eighteen months was due to an oversupply in the market, as domestic and international production reached all-time highs. The energy industry continues to face many external pressures and obstacles, even with the positive market trends noted at the end of 2016. Utilization, pricing and rig counts are still significantly behind where they were at the end of 2015; however, the number of US rigs exploring for oil and natural gas increased to 756 as of March 3, 2017, up 267 rigs from March 4, 2016. In Canada, the rig count was 335 as of March 3, 2017, up 206 from March 4, 2016. Canadian drilling falls rapidly in the spring to avoid environmental damage moving drilling equipment during the spring thaw and rainy season. With large weather related seasonal swings, even year-over-year comparisons can lead to incorrect conclusions. The international rig count, which excludes the US and Canada, was down about 18% compared to last year.

In February 2017, the Organization of the Petroleum Exporting Countries ("**OPEC**") cut oil output for a second month, allowing the exporter group to boost already strong compliance with agreed supply curbs on the back of a steep reduction by Saudi Arabia. OPEC is cutting output by about 1.2 million barrels per day from January 1, 2017, the first such deal since 2008, to remove the oversupply. Non-OPEC countries pledged to cut about half as much.

Revenues Generated by Categories of Principal Services

The Corporation is engaged in two geographic areas with one operating segment, which is drilling services. Prior to the classification of the coil service operations as discontinued, the Corporation was engaged in coil services in the United States and Saudi Arabia. As such, the drilling services segment is the only segment with continuing operations currently in the two geographic locations – Canada and the United States. Through December 31, 2015, the Corporation had operations in India. In the first quarter of 2016, the rigs were demobilized back to the United States. The Corporation determines its operating segments based on internal information regularly reviewed by the chief operating decision makers to allocate resources and assess performance.

The table below summarize Xtreme's revenue and assets by geographic area.

Drilling Services (XDR)	Year Ended 2016	Year Ended 2015
Canada	471	2,719
United States	34,787	103,694
Other International	6,774	24,801
In '000s of $CAD		

Revenue for the last two fiscal years was derived entirely from third party customers and has been reported in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2016 which is incorporated by reference and is available on SEDAR at www.sedar.com.

Specialized Skill and Knowledge

Drilling 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 the Corporation's markets. However, Xtreme focuses on developing new techniques for using conventional jointed pipe to drill to deeper geological horizons. As the Corporation encounters and resolves challenges in drilling 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 conventional drilling to overcome challenges at depths below 2,000 metres (6,500 feet).

Intangible Property

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.

Xtreme capitalizes legal costs incurred with the registration of its coil drilling and technology patents and pending patent applications. The Corporation amortizes drilling and technology patents and pending patent applications on a straight-line basis over a period of 20 years, which is the life of each patent. Costs of maintenance and defense of patents is expensed as incurred. On June 22, 2016, all of the intangible assets were sold to Schlumberger.

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.

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.. The majority of Xtreme's rigs work for operators targeting either liquid rich gas or oil.

Economic Dependence

Xtreme has a number of major competitors in the drilling industry with significant market share and influence over pricing of services which could impact Xtreme's future corporate performance. Demand for 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 2016 and early in 2017, Xtreme had drilling rigs operating in Alberta, Colorado, North Dakota, and the Texas/Oklahoma border. Drilling activity in the US and Canada continued to decline during the twelve months of 2016. See "*Description of the Business and Operations – Operations*".

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. Although the Corporation's drilling contracts typically contain provisions to minimize the likelihood of cancellations, weakened demand for drilling services, especially when commodity prices collapse or performance issues exist, can result in customers renegotiating or terminating contracts.

Competitive Conditions

Xtreme's business success is dependent, in large part, on 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 and the United States. 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 2017. 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, 2016, Xtreme employed approximately 188 full time, non-union employees in the following segments.

Segment	Employees
US Drilling	168
Canadian Drilling	16
International Drilling	4
Total	188

In international operations, Xtreme endeavors 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 2016, 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

The Corporation provides drilling services throughout much of North America and in certain international onshore areas.

The Canadian and United States regulatory regimes are stable and, in general, supportive of energy industry activity. However there can be no assurance that any legislative changes relating to the energy industry and any related effect on demand for services industry will not have a material adverse effect on Xtreme's business, financial condition, results of operations and cash flows.

Internationally, the Corporation's operations are subject to regulations in various jurisdictions and support of the oil and natural gas industry can vary in different jurisdictions. Some international markets that the Corporation operated or where it considered operating have experienced civil unrest and/or warfare in recent years. In general, the Corporation monitors local conditions and attempts to negotiate long-term contracts for drilling services that include early termination clauses and other clauses to protect the Corporation's interests.

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 its 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 drilling 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 and Current Market 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.

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.

The Corporation has been working closely with its customers to mitigate the downturn in the market, focusing on lowering operating costs and agreeing to pricing concessions in exchange for contract terms wherever possible, while continuing to pursue opportunities, primarily in international markets where the demand for technologically advanced, high efficiency rigs is still prevalent. These initiatives, combined with a strong cash and net debt position as well the strong historical performance of the rigs, are intended to position the Corporation to take advantage of opportunities with the return of stronger market conditions.

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 March 10, 2016, the Corporation reached an agreement with a syndicate of financial institutions to enter into an amended and restated senior credit facility for $90 million USD. The credit facility consisted of a revolving credit facility of $78 million denominated in USD, and a $12 million USD-equivalent revolving credit facility, available in CAD and/or USD.

On June 23, 2016, the Corporation paid all the outstanding debt under and terminated the credit facility and agreement with the syndicate. The Corporation currently does not have a revolving credit facility, but has significant liquidity due to its cash balance.

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.

Currently the Company does not have any indebtedness outside of normal course operating commitments. As such, the Company is not bound by any material restrictive covenants related to indebtedness.

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 floods, 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.

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. 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.

Performance of Equipment

Xtreme's financial and operating results are dependent on continued successful performance of drilling rigs and related equipment and the continued operation of the existing fleet without additional significant capital expenditures.

Complex drilling programs for the exploration and development of remaining conventional and unconventional oil and natural gas reserves demand high performance equipment. The ability of drilling rig providers to meet this demand will depend on continuous improvement of existing technology such as drive systems, control systems, automation, mud systems and top drives to improve efficiency. Xtreme's ability to deliver equipment and services that meet customer demand is critical to its continued success. Xtreme cannot assure that competitors will not achieve technological improvements that are more advantageous, timely or cost effective than improvements developed by Xtreme. To attempt to mitigate this risk Xtreme has an experienced internal engineering department which works closely with operations and marketing on equipment design and improvements.

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 services primarily to field operations of companies located in Canada, the United States, and previously in India. 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. Xtreme believes that pricing and rig availability are the principal factors considered by Xtreme's potential customers in determining which contractor to select. Xtreme believes that other factors are also important, including: the capabilities and condition of equipment; the quality of service and experience of crews; the safety record of the contractor and the particular equipment; the offering of ancillary services; the ability to provide equipment adaptable to, and personnel familiar with, new technologies and drilling techniques; and the mobility and efficiency of equipment.

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.

Capital Overbuild in the Industry

Because of the long life nature of drilling and well servicing equipment and the lag between the moment a decision to build a piece of equipment is made and the moment the equipment is placed into service, the amount of available equipment in the industry does not always correlate to the level of demand for that equipment. Periods of high demand often spur increased capital expenditures on rigs, and those capital expenditures may exceed actual demand. Any capital overbuild could cause Xtreme's competitors to lower their rates and could lead to a decrease in rates in the oilfield services industry generally, which would have an adverse effect on the revenues, cash flows and earnings of Xtreme.

Credit Risk

Credit risk arises from deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. For deposits, the Corporation only deals with independently rated institutions that have a minimum rating of 'A'. Most of the Corporation'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 of Directors. Management assesses the credit worthiness of customers on an ongoing basis and considers the credit risks on these amounts as normal for the industry.

Xtreme'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. 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 payments by customers. In addition, the majority of the Corporation's rigs are subject to renewable contracts in respect of which no assurances can be given as to their renewal. The key factors which determine whether a client continues to use the Corporation are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety and competitive price. There can be no assurance that the Corporation'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 the Corporation'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 and the United States 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 to threats to security or terrorism. Some international markets in which the Corporation operated or where has it considered operating have experienced civil unrest and/or warfare in recent years. The current political environment across the Middle East has seen significant increases in acts of terrorism, riots, strikes, insurrection, revolution and civil war. In general, the Corporation monitors local conditions and attempts to negotiate long-term contracts for drilling services that include early termination clauses and other clauses to protect the Corporation's interests.

Xtreme's 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. 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 Corporation 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. Through its Safety Actions for Excellence program Xtreme maintains a comprehensive training and assessment program.

Unpredictability and Volatility of the Common Share Price

The prices at which the Common Shares will trade cannot be predicted. The market price of the Common Shares could be subject to significant fluctuations in response to variations in operating results and other factors, including general economic instability. Changes in the performance of the Corporation, the industry conditions as well as numerous other factors beyond the control of the Corporation, may adversely affect the trading price of the Common Shares. The annual yield on the Common Shares as compared to the annual yield on other financial instruments may also influence the price of Common Shares in the public trading markets. An increase in market interest rates will result in higher yield on other financial instruments, which may lead purchasers of Common Shares to demand a higher yield and this could adversely affect the market price of the Common Shares.

Labor

The Corporation is susceptible to increased labor costs as a result of a competitive labor market throughout Canada and the United States. The Corporation can give no assurances that it will be able to secure adequate supplies of any of the required labor at competitive prices or on acceptable terms or replace existing members of Xtreme's labor force who retire or otherwise cease to work for Xtreme.

DIVIDENDS

The Corporation has not paid any dividends to date on the Common Shares. The 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 85,091,3674 Common Shares issued and outstanding, 866,000 options to purchase Common Shares ("**Options**") outstanding and 634,568 restricted stock units ("**RSUs**") issued and 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.

2016 Trading Price and Volume			
Month	**High**	**Low**	**Volume**
January	$1.90	$1.51	1,313,571
February	$1.75	$1.30	814,376
March	$1.77	$1.46	805,713
April	$2.80	$1.50	5,144,430
May	$2.63	$2.34	1,962,886
June	$2.73	$2.35	1,443,427
July	$2.61	$2.24	378,578
August	$2.61	$2.23	924,663
September	$2.53	$2.23	816,111
October	$3.05	$2.36	831,692
November	$2.99	$2.51	900,207
December	$2.95	$2.50	658,445

Prior Sales

During the year ended December 31, 2016, the following Options and RSUs were issued to officers, directors and key employees of Xtreme.

Date of Issuance	Number and Type of Securities		Exercise Price per Security ($)
June 27, 2016	107,568	RSU's	$2.56
August 3, 2016	333,000	RSU's	$2.41
August 3, 2016	84,000	Options	$2.41
August 9,2016	557,000	RSU's	$2.41
August 9,2016	85,500	Options	$2.41

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
Colin Wallace Burnett[2] Aberdeen, United Kingdom	Director	May 2016	Colin Burnett is the Managing Director of Abbotsford Capital Limited. A Chartered Accountant by background, Mr. Burnett has spent the last 17 years in oil and gas private equity. Mr. Burnett spent 10 years at 3i Group plc where he led and managed a number of investments in oil and gas exploration and production ("E&P") companies, and oil field services companies. Since leaving 3i in 2009 Mr. Burnett has been involved in a number of E&P start-ups, the most notable being Agora Oil & Gas AS and Sand Hill Petroleum BV, both of which were backed by private equity.
Randolph M. Charron[3, 4, 5] Calgary, Alberta, Canada	Founder, 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. Mr. Charron is principally an independent businessman involved in oil and gas services, oil and gas producing companies and other industry sectors.

Name and Place of Residence	Position Held[1]	Director and/or Officer Since	Principal Occupation During Past Five Years
Doug Dafoe[2] Calgary, Alberta, Canada	Director, Chairman of the Board	May 2012	Douglas Dafoe is President & Chief Executive Officer of Ember Resources Inc. ("**Ember**"), a private company focused on natural gas exploration and production primarily from coal bed methane in Alberta, Canada. Mr. Dafoe has been Chief Executive Officer of Ember since 2005. Prior to joining Ember, Mr. Dafoe was Founder, President and Chief Executive Officer of Thunder Energy Inc., an oil and gas producer from 1995 to 2005. Mr. Dafoe has also held senior executive positions with Samson Canada and Husky Oil.
J. William Franklin, Jr.[2,3,4] Houston, Texas, USA	Director	February 2014	J. William Franklin, Jr. is Managing Director of Lime Rock Partners ("**Lime Rock**"), a private investor of growth capital in global energy companies in the exploration and production, energy service, and oil service technology sectors. Mr. Franklin joined the Lime Rock team in 2003 and was named a Managing Director in 2008. Before joining Lime Rock, he had experience in private equity, energy company operations, and energy finance at Riverstone Holdings, Simmons & Company, and Parker & Parsley Petroleum Company.
James B. Renfroe, Jr.[3,5] Larue, Texas, USA	Director	August 2013	James Renfroe, Jr. is an independent businessman, and currently a non-executive Director of Rubicon Oilfield International, a global oilfield products and equipment company. Mr. Renfroe was previously the Senior Strategic Advisor to the CEO of GE Oil and Gas. Prior to that Mr. Renfroe was Executive Director and CEO of the Well Support Division of Wood Group, PLC, a multinational oil and gas services company. Mr. Renfroe has an extensive background in executive leadership, strategic planning, operations and business development having worked for Halliburton Company in various executive positions from 1974 to 2007.
David W. Wehlmann[2,3,4] Katy, Texas, USA	Director	May 2013	David Wehlmann is an independent businessman and currently a Director for Omega Protein Corporation.

Name and Place of Residence	Position Held[1]	Director and/or Officer Since	Principal Occupation During Past Five Years
			Mr. Wehlmann was previously Executive Vice President, Investor Relations with Precision Drilling Corporation. Prior to that, Mr. Wehlmann was the Executive Vice President and Chief Financial Officer for Grey Wolf Inc. a publicly traded drilling contractor. Mr. Wehlmann also held executive positions with EnerVest Management Company, Convest Energy Corporation and Texas Meridian Resources.
Matthew S. Porter[5] Houston, Texas, USA	President and Chief Executive Officer, Director	August 2011	Matthew S. Porter is the President and Chief Executive Officer of Xtreme Drilling Corp. Mr. Porter has been with Xtreme Drilling Corp. since August 2011, starting as Chief Financial Officer. Mr. Porter was appointed President in May 2015 and was appointed Chief Executive Officer in August 2016. Prior to joining Xtreme, Mr. Porter was Chief Financial Officer at Nasdaq traded Bronco Drilling, a land based drilling contractor, prior to its sale to Chesapeake Energy in 2011. Mr. Porter began at Bronco Drilling in 2006 as Vice President of Corporate Finance. Mr. Porter was Vice President – Sr. Portfolio Manager with BOK Financial Group from 2001 to 2005 where he managed a portfolio of public and private assets in excess of $250 million. During this time he earned his CFA Charter.
Martin Ramirez Houston, Texas, USA	Vice President, Finance and Corporate Development	March 2010	Martin Ramirez has been Vice President, Finance and Corporate Development at Xtreme since August 2016 and was Corporate Controller since March 2010. From 2007 to 2010, Mr. Ramirez was Director of Accounting for BMC Software in Houston, Texas. During 2006 Mr. Ramirez was a Senior Manager for the Oil and Gas practice for BKD, LLP/Mazaars Group. From 2002 to 2005, Mr. Ramirez served as Controller and Director of Finance at Honeywell International, Inc., and from 1988 to 2002 he was Senior Manager for PricewaterhouseCoopers LLP, working in the United States, Venezuela and Mexico. Mr. Ramirez is a Certified Public Accountant and earned a Bachelor of Business Administration degree in Accounting from the University of Texas at El Paso.

Name and Place of Residence	Position Held[1]	Director and/or Officer Since	Principal Occupation During Past Five Years
John William Wray Houston, Texas, USA	Vice President, Drilling Operations	August 2016	John Wray has been Vice President, Drilling Operations since August 2016. Mr. Wray served as Senior General Manager – Drilling Services North America. Mr. Wray joined Xtreme in December 2008, holding positions as Rig Superintendent, Operations Manager and General Manager, Canada. Prior to joining Xtreme, Mr. Wray worked internationally for Drillers Technology, Noble Drilling International and Precision Drilling International.

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) Member of the Audit Committee.
(3) Member of the Corporate Governance and Nominating Committee.
(4) Member of the Compensation Committee.
(5) Member of the Health, Safety and Environment Committee.

As of the date of this AIF, except for Mr. J. William Franklin, Jr., who is Managing Director of Lime Rock, which entity's wholly-owned Luxembourg subsidiary LRP, holds 15,304,610 Common Shares or 18.39 % of the issued and outstanding Common Shares, no proposed director or his associates or affiliates, beneficially owned, controlled or directed, directly or indirectly, securities carrying more than 10 percent of the voting rights attached to all voting securities of Xtreme, or of a subsidiary of Xtreme. As of the date of this AIF, the Corporation's directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 3,478,127 Common Shares, or approximately 4.09 % of the issued and outstanding Common Shares (excluding those Common Shares held by LRP). 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

Except as noted below, 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.

Mr. Wehlmann currently served as a director of Paragon Offshore plc ("**Paragon**"), which, on February 12, 2016, announced that it had entered into a Plan Support Agreement (the "**Plan**") with (i) an ad hoc committee representing certain holders of Paragon's outstanding unsecured bonds, and (ii) certain lenders under Paragon's senior secured credit facilities, to support a restructuring of Paragon's balance sheet. In order to implement the Plan and preserve a substantial portion of the equity for the company's current shareholders, on February 15, 2016, Paragon announced that the company and certain of its subsidiaries had elected to commence proceedings under Chapter 11 of the United States Bankruptcy Code ("**Chapter 11**") in the United States Bankruptcy Court in the District of Delaware. The Chapter 11 proceedings are ongoing. Mr. Wehlmann resigned as a director from the Paragon Board in November 2016.

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

TRANSFER AGENT AND REGISTRAR

The Corporation’s transfer agent is Computershare Trust Company of Canada, at their offices in Calgary, AB and Toronto, ON.

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. Wehlmann, Franklin, Dafoe and Burnett. 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
David W. Wehlmann Houston, Texas, USA	Yes	Yes	David Wehlmann is an independent businessman and currently a Director for Omega Protein Corporation. Mr. Wehlmann was previously Executive Vice President, Investor Relations with Precision Drilling Corporation. Prior to that, Mr. Wehlmann was the Executive Vice President and Chief Financial Officer for Grey Wolf Inc. a publicly traded drilling contractor. Mr. Wehlmann also held executive positions with EnerVest Management Company, Convest Energy Corporation and Texas Meridian Resources. Mr. Wehlmann has an extensive background in finance and accounting. He has over 30 years of leadership experience, including board of director service, with an emphasis on strategic acquisitions/mergers, capital markets, capital structure, entrepreneurial growth initiative, market development, planning/forecasting, financial and project management and investor relations.
J. William Franklin, Jr. Houston, Texas, USA	Yes	Yes	J. William Franklin, Jr. is Managing Director of Lime Rock, a private investor of growth capital in global energy companies in the exploration and production, energy service, and oil service technology sectors. Mr. Franklin joined the Lime Rock team in 2003 and was named a Managing Director in 2008. Currently based in Houston, Mr. Franklin has worked in the firm's Houston, Calgary, and Westport, Connecticut locations and has played a leadership role in the firm's investment efforts in the oilfield service and E&P sectors in North America and internationally. Before joining Lime Rock, he had experience in private equity, energy company operations, and energy finance at Riverstone Holdings, Simmons &

Name and Place of Residence	Independent	Financially literate	Relevant Education and Experience
			Company, and Parker & Parsley Petroleum Company. Mr. Franklin currently serves on the board of directors of KSW Environmental, OilSERV, GEODynamics, Shelf Drilling, IDM Group, and UTEC International. He previously served on the board of directors of Hercules Offshore and was actively involved in Lime Rock's investment in Patriot Drilling.
Douglas A. Dafoe Calgary, Alberta, Canada	Yes	Yes	Mr. Dafoe is President and Chief Executive Officer of Ember Resources, a private natural gas producer. Mr. Dafoe is a Chartered Accountant (CA) with over 25 years industry experience. Prior to joining Ember, Mr. Dafoe was President and Chief Executive Officer of Thunder Energy Inc., a company he co-founded in mid-1996. Mr. Dafoe graduated from the University of North Dakota with a degree in Business Management. He earned his CPA designation in 1979 and became a CA in 1980. Mr. Dafoe entered the oil & gas industry in 1980 and held various financial and operating position of increasing importance working for both junior and integrated oil & gas companies. Mr. Dafoe is a Chartered Director (C.Dir.) a designation received from The Directors College which is a joint venture of McMaster University and the Conference Board of Canada. Mr. Dafoe has served on the Board of Governors of the Canadian Association of Petroleum Producer (CAPP) and has been a director of several TSX-listed companies including Thunder Energy Trust, Alberta Clipper Energy Inc. and Cyries Energy Inc. Mr. Dafoe currently serves on the board of directors of Point Loma Resources Ltd.
Colin Wallace Burnett Aberdeen, United Kingdom	Yes	Yes	Colin Burnett is the Managing Director of Abbotsford Capital Limited. A Chartered Accountant by background, Mr. Burnett has spent the last 17 years in oil and gas private equity. Mr. Burnett spent 10 years at 3i Group plc where he led and managed a number of investments in oil and

Name and Place of Residence	Independent	Financially literate	Relevant Education and Experience
			gas exploration and production (E&P) companies, and oil field services companies. Since leaving 3i in 2009 Mr. Burnett has been involved in a number of E&P start-ups, the most notable being Agora Oil & Gas AS and Sand Hill Petroleum BV, both of which were backed by private equity.

Audit Committee Oversight

Since the commencement of the Corporation's most recently completed financial year, the Board of Directors has adopted all recommendations of the Audit Committee regarding nominating or compensating external auditors.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

Fees Paid to PricewaterhouseCoopers LLP

The following table sets forth the fees paid by Xtreme to PricewaterhouseCoopers LLP for the periods indicated.

Type of Fees	Fiscal Year Ended December 31	Aggregate Fees Billed	Nature of Services Performed
Audit fees	2016	$177,000	Year-end audit
	2015	$285,000	Year-end audit
Audit – related fees	2016	$49,000	Quarterly reviews
	2015	$78,000	Quarterly reviews
Tax fees	2016	$422,000	Canadian, US, Luxembourg, India tax review, tax return
	2015	$135,000	Canadian, US, Luxembourg, India tax review, tax return
All other fees	2016	$256,000	Internal controls, IFRS and other
	2015	$513,000	Internal controls, IFRS and other

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no material legal proceedings to which the Corporation is a party, or to which any of its property is, or was, subjected during the most recently completed financial year, nor any such legal proceedings the Corporation knows to be contemplated.

Regulatory Actions

During the year ended December 31, 2016 there were: (i) no penalties or sanctions imposed against Xtreme or by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against Xtreme that would likely be considered important to a reasonable investor in making an investment decision; and (iii) no settlement agreements Xtreme entered into before a court relating to a securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of Xtreme's management, other than as disclosed herein, there were no material interests, direct or indirect, of any director or executive officer, any shareholder who beneficially owns, or exercises control or direction over, more than ten (10) percent of the outstanding Common Shares, or any associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect Xtreme or any of its Subsidiaries.

INTERESTS OF EXPERTS

To the knowledge of Xtreme's management, as of the date hereof, PricewaterhouseCoopers LLP is the only person or company who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by Xtreme during, or relating to, Xtreme's most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or the Corporation.

PricewaterhouseCoopers LLP, Chartered Accountants, have performed the external audit of the consolidated financial statements of Xtreme for the year ended December 31, 2016 as set forth in Xtreme's financial statements. PricewaterhouseCoopers LLP has advised Xtreme they are independent with respect to Xtreme within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

In addition, neither the aforementioned person, nor any director, officer nor employee thereof, is or is expected to be elected, appointed or employed as a director, officer or employee of Xtreme or of any associate or affiliate thereof.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Xtreme securities and securities authorized for issuance under Xtreme's equity compensation plans, as applicable, will be contained in Xtreme's information circular for its 2016 annual meeting of shareholders that involves the election of directors. The Corporation provides additional financial information in the consolidated financial statements and management's discussion and analysis for the year ended December 31, 2016, which are set forth in the 2016 Annual Report. Documents affecting the rights of security holders, along with additional information relating to Xtreme, are filed on SEDAR at www.sedar.com and available by request to ir@xdccorp.com or by telephone at +1-403-262-9500 or +1-281-994-4600.

APPENDIX A

XTREME 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 Corporation, (2) compliance by the Corporation with legal and regulatory requirements related to financial reporting, (3) qualifications, independence and performance of the Corporation's independent auditors, and (4) performance of the Corporation'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 Corporation, 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 Corporation, 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 Corporation's independent auditor is ultimately accountable to the Board and to the Audit Committee; and the Board and Audit Committee, as representatives of the Corporation'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 Corporation'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 Corporation'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 Corporation'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 Corporation's annual security holder materials.

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

(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 Corporation, and may not be an affiliated person of the Corporation 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 Corporation'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.

(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 Corporation'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 Corporation;
- 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 Corporation or an affiliate, is hired by the Corporation 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 Corporation, 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

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

(b) Ensure that no Officer or Director attempts to fraudulently influence, coerce, manipulate or mislead any accountant engaged in auditing of the Corporation'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 Corporation's audited financial statements and related notes;
- the Corporation'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 Corporation'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 Corporation.

(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 policies of the Corporation and industry accounting and regulatory financial reporting proposals that may have a significant impact on the Corporation'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 Corporation'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 Corporation's financial statements or accounting policies.

(i) Review with the Corporation's legal counsel legal matters that may have a material impact on the financial statements, the Corporation'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 Corporation'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 Corporation'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.