CENTRAL ALBERTA WELL SERVICES CORP.

Management's Discussion and Analysis

Central Alberta Well Services Corp.

The following management's discussion and analysis ("MD&A") of Central Alberta Well Services Corp. ("CWC" or the "Company") contains information concerning the Company's vision, business strategies, capabilities, comparative financial results and an overview of its outlook for the Company and the industry as at August 25, 2009. The message to shareholders, operations review and financial results for the year ended December 31, 2008, together with the accompanying note disclosures, also contain information that supplements this discussion. This MD&A should be read in conjunction with the Company's audited financial statements as at December 31, 2008 and 2007 and for the years then ended. Additional information on the Company, including the Annual Information Form ("AIF"), can be found on the Company's website at www.cawsc.com or on SEDAR at www.sedar.com.

This MD&A contains certain forward-looking information and statements, including statements relating to the Company's utilization rates of equipment, anticipated length of the current economic downturn, future operating costs and the increase or decrease relating thereto, capital expenditures, the projected growth of the asset base of the Company and other statements relating to matters that are not historical facts and statements of the Company's beliefs, expectations about developments, results and events which will or may occur in the future, which constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Certain statements contained in this MD&A, including statements which may contain such words as "anticipate", "could", "should", "seek", "may", "intend", "likely", "plan", "estimate", "believe", "expect", "will", and similar expressions suggest future outcomes or statements regarding an outlook.

Forward-looking information and statements are included throughout this MD&A, including under the headings "Corporate Development", "Overview", "Liquidity and Capital Resources", "Outlook" and "Risk Management". In particular, forward-looking information and statements include, but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- Anticipated length of the current economic downturn;
- The success of the multi-service marketing plan will partially insulate the Company from the effects of the current economic downturn;
- Ability of capital expenditures to be funded through operating cash flows;
- Refinancing of long-term debt by January 2010 when it is due;
- Performance of the oil and natural gas industry;
- Demand for and status of service equipment;
- Costs and financial trends for companies operating in the oil and natural gas industry;
- Capital expenditures, including the amount and nature thereof;

- Demand for products and services;
- Expected cash provided by continuing operations;
- The Company's business strategy and outlook for business segments;
- Expansion and growth of the Company's business and operations;
- The maintenance of existing customer, supplier and partner relationships;
- Supply channels;
- Accounting policies and tax liabilities; most significantly being the entity's ability to refinance the debt before its maturity date and continue as a going concern;
- Expected payments pursuant to contractual obligations;
- The prospective impact of recent or anticipated regulatory changes;
- Credit and liquidity risks; and
- Other such matters.

Management has made certain assumptions and analyses which reflect their experience and knowledge in the industry. These assumptions and analyses are believed to be accurate and truthful at the time but the Company cannot assure readers that actual results will be consistent with these forward-looking statements. However, whether actual results, performance, or achievements will conform to the Company's expectations and predictions is subject to known and unknown risks and uncertainties which could cause actual results to differ materially from the Company's expectations. Further information regarding these risks and uncertainties may be found under the heading "Risk Management" in this MD&A, "Risk Factors" in the Company's Annual Information Form and in the Company's most recent financial statements, information circular and quarterly reports.

Corporate Development

CWC is an oilfield services company which offers a complete range of oil and gas services throughout the Western Canadian Sedimentary Basin ("WCSB"). The Company has two reporting segments, Well Servicing and Other Oilfield Services. The Well Servicing Segment includes Service Rigs and Coil Tubing. The Other Oilfield Services Segment includes Snubbing, Nitrogen, Testing and Rental activities.

The Company's corporate office is located in Calgary, Alberta and the main operating center is located in Red Deer, Alberta, with branch offices in Provost, Brooks and Grande Prairie. The Company provides well services to oil and gas exploration and development companies operating in Western Canada.

The Company commenced the 2009 year with 41 service rigs, eight (8) snubbing units, eight (8) coil tubing units, 14 nitrogen units and 12 testing packages. Delays occurred in the capital build program, originally anticipated to be completed prior to the end of 2008, and now scheduled to be completed throughout 2009. During the first quarter of 2009, three (3) service rigs were delivered under the build program. Two additional rigs will be delivered early in the third quarter with the final two still being delayed by management.

Expansion, particularly within the service rig fleet is a cornerstone of the Company's marketing plan and the strategic direction of the Company. The Company has been spending considerable efforts in marketing and streamlining processes to be able to offer a "full suite" of services to each customer to better meet their demands. This results in a more efficient project and provides cost savings to the customer while increasing utilization rates among all divisions. The Company believes that the ancillary services offered to its customers directly support the core division of service rigs which continues to grow. The Company anticipates that this combined marketing effort will minimize the impact of the global economic downturn on the Company. The goal is that a job granted in one division will evolve into a project involving as many of the divisions of the Company as is possible based on the customer's needs.

As a result of this expansion, the Company now operates the following fleet of equipment within the WCSB:

UNITS OPERATING AT END OF PERIOD	2009 JUNE 30	2009 MARCH 31	2008 DEC. 31	2008 SEPT. 30	2008 JUNE 30	2008 MARCH 31	2007 DEC. 31	2007 SEPT. 30	2007 JUNE 30	2007 MARCH 31
Service rigs	44	44	41	41	41	37	24	21	19	18
Coil units	8	8	8	8	8	8	8	8	8	8
Snubbing units	8	8	8	8	7	7	7	7	7	7
Nitrogen tankers & pumpers	14	14	14	14	14	14	14	14	13	13
Pressure tanks	12	12	12	12	12	12	12	12	12	12

The Company's commitment to building a modern fleet with leading edge technology continues to stand out in an industry characterized by an ageing equipment infrastructure. As a result, used equipment acquired will undergo the necessary rework to bring the rigs up to the Company's standards. Originally, the Company anticipated that the rework would be complete so the units would be available in the first quarter, but current economic conditions have led to a postponement of the rework of these units. Once economic conditions improve, utilizations return to normal levels and cash flows permit, the rework will be rescheduled.

During the second quarter the Company was in discussions to sell two complete service rigs and related support equipment to a Canadian based drilling contractor with international operations. On August 4, 2009, the sale was completed and a condition of the agreement was that the purchaser would relocate the equipment outside of Canada and would not operate the equipment within Canada for a period of four years. The $5.4 million in proceeds will be used to satisfy outstanding capital commitments remaining from the previously announced build program.

Overview

THREE AND SIX MONTHS ENDED JUNE 30	2009	2008 *(Restated)*	2009	2008 *(Restated)*
Revenues	$ 6,397,280	$ 12,756,325	$ 25,433,894	$ 37,341,662
Operating costs	4,940,690	8,845,585	17,910,235	23,635,926
Gross profit	1,456,590	3,910,740	7,523,659	13,705,736
Gross profit %	22.8%	30.7%	29.6%	36.7%
General and administrative expenses	2,945,229	2,383,000	6,019,838	5,114,840
EBITDAS (1)	(1,488,639)	1,527,740	1,503,821	8,590,896
EBITDAS (1) per share: Basic and diluted	(0.05)	0.05	0.06	0.31
Stock based compensation	259,581	208,826	514,332	392,630
Interest	1,333,035	1,168,698	2,697,531	2,492,053
Depreciation and amortization	2,472,548	3,118,195	5,271,503	6,611,360
Net loss before tax	(5,553,803)	(2,967,979)	(6,979,545)	(905,147)
Cash flows from operating activities	4,095,351	7,152,805	2,915,735	485,264
Less: Change in non-cash working capital	6,435,837	6,622,326	3,084,763	(6,200,948)
Funds from operations (2)	(2,340,486)	530,479	(169,028)	6,686,212
Funds from operations per share (2):				
Basic and diluted	$ (0.09)	$ 0.02	$ (0.01)	$ 0.24
Loss per share:				
Basic and diluted	$ (0.19)	$ (0.10)	$ (0.24)	$ (0.04)
Purchase of property, plant and equipment	$ (1,455,821)	$ (4,357,806)	$ (8,385,250)	$ (19,900,395)

(1) EBITDAS is calculated from the statement of income (loss) as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

(2) Funds from operations is defined as cash from operating activities before changes in non-cash working capital. Funds from operations and funds from operations per share are measures that provide investors additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Funds from operations and Funds from operations per share do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

Revenues for the second quarter of 2009 were $6.4 million, a 50% decrease from the record revenues seen in the second quarter of 2008. Year to date, the year over year decrease in revenues was $11.9 million or 31.9%. The decrease was directly attributable to decreased utilization rates as a result of the current economic downturn, particularly within the Well Services Segment. Of the $6.4 million year over year decrease for the quarter, $4.7 million or 73.4% is attributable to decreases in the Well Servicing Segment and $1.7 million or 26.6% is attributable to decreases in the Other Oilfield Services Segment. Of the $11.9 million year to date year over year decrease, $9.0 million is attributable to decreases in the Well Servicing Segment and $2.9 million is attributable to decreases in the Other Oilfield Services Segment.

Gross profit is mainly impacted by costs of direct labour, costs of running supplies for the fleet and the rates charged for the services provided. In the second quarter of 2009, gross profit as a percentage of revenues decreased by 7.9%. The decrease was consistent with a decrease in rates charged to customers as lower commodity prices have led companies to more aggressively seek out cost savings. The Company anticipates lower fuel costs to continue throughout most of 2009, consistent with the anticipated length in the current economic downturn being experienced. The Company also anticipates continued pressure on rates for services will occur throughout 2009 as market competition remains tight.

General and administrative expenses, as detailed in the table shown below, increased year over year by $0.5 million. The increase in wages and benefits of $0.3 million is consistent with the increase seen year over year in the first quarter and is a result of additions of key management and staff to guide the Company through the downturn and leave the Company well poised to take advantage of the increased activity that is expected to follow. These key staff included additional staff in Grande Prairie, a field safety manager and an addition to the sales team in Calgary.

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	2008	2009	2008
Wages and benefits	$ 1,624,230	$ 1,271,184	$ 3,461,103	$ 2,813,783
Bad debts	41,951	103,464	187,888	123,463
Office	231,827	174,020	517,437	324,949
Facility	438,492	348,262	897,371	696,736
Professional fees	285,290	145,669	405,394	368,431
Other administration	323,439	340,403	550,645	787,478
	$ 2,945,229	$ 2,383,002	$ 6,019,838	$ 5,114,840
General and administrative costs as a % of revenues	46.0%	18.7%	23.7%	13.7%

Bad debts of $41,951 in the second quarter of 2009 are due to provisions being made for two (2) additional customers whose current financial condition and inability to secure adequate financing has led management to believe these customers will be unable to settle their liabilities.

The increase in facilities and office expenses are a result of additional facilities being established in Grande Prairie and the larger space leased for the Calgary corporate head office during the first quarter.

The increase in professional fees is a result of the now expired offer with Tricap Equity Partners II in which the Company incurred additional legal, advisory and other corporate fees related to a proposed takeover transaction.

Other administration costs remain consistent year over year.

General and administrative costs expressed as a percentage of revenues is 27.3% higher year over year as a result of the lower than expected revenues seen in the second quarter of 2009.

Stock based compensation increased year over year by $50,755. The increase is a result of the stock options issued in the second quarter of 2008.

Interest expense is incurred from the Company's term facility as well as the short term revolving operating facility and accretion expenses relating to the transaction costs and warrants arising from the refinancing that occurred in 2007. These costs are detailed in the table that follows. Interest is calculated on a floating basis above CIBC prime rate dependent on the amount of the facility drawn upon. The small decrease in interest year over year is a reflection of the lower interest rates. In the second quarter of 2008, $48.7 million was outstanding on the term debt facility, in the second quarter of 2009, the amount outstanding under this facility is $59.9 million, however, the corresponding interest has decreased by $106,806. The effective interest rate for the second quarter was 8.9%.

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	2008 *(Restated)*	2009	2008 *(Restated)*
Interest on debt	$ 780,512	$ 887,318	$ 1,611,272	$ 1,794,949
Interest income	(956)	(7,367)	(7,468)	(23,705)
Accretion on finance charges	306,165	226,024	605,710	447,062
Accretion on warrants	247,313	62,723	488,015	273,747
	$ 1,333,035	$ 1,168,698	$ 2,697,531	$ 2,492,053

Depreciation decreased by $0.6 million year over year, as a result of the lower utilization rates and the inclusion of salvage values for production units which occurred in the later part of 2008. Depreciation estimates on production units were changed to include a salvage value as it was felt depreciating the assets to zero was not an accurate reflection of the use of the asset.

Cash flows from operating activities decreased by $2.8 million as a result of a $3.1 million decrease in funds from operations and a $0.2 million decrease in non-cash working capital.

Capital expenditures for the second quarter of 2009 consist mainly of $1.5 million in final payments relating to the capital build program initiated in 2008 which resulted in the delivery of three (3) additional service rig units and related support equipment. In the prior year, capital expenditures of $4.4 million consisted mainly of the acquisition of three (3) service rigs and related equipment and completion of the capital build program initiated in 2007.

Quarterly Review

(In 000's, except per share data)	2009		2008			
THREE MONTHS ENDING	Q2	Q1	Q4	Q3 (Restated)	Q2 (Restated)	Q1 (Restated)
REVENUES						
Well Servicing	$ 4,467	$ 12,979	$ 12,789	$ 16,732	$ 9,165	$ 17,206
Other Oilfield Services	$ 1,930	$ 6,058	$ 5,658	$ 6,290	$ 3,591	$ 7,379
	$ 6,397	$ 19,037	$ 18,447	$ 23,022	$ 12,756	$ 24,585
Net income (loss)	(5,228)	(1,240)	(1,938)	901	(2,769)	1,748
EPS: Basic and diluted	(0.19)	(0.05)	(0.07)	0.03	(0.10)	0.06
Weighted average Class A common shares	20,234	20,503	20,810	21,451	21,502	21,532
Weighted average Class B common shares	6,953	6,701	6,604	6,373	6,373	6,343
Total weighted average common shares	27,187	27,204	27,414	27,824	27,875	27,875
Total assets	135,998	146,412	144,194	144,407	134,120	140,868
Debt	58,647	60,298	55,419	52,070	45,615	49,172
Purchase of property, plant and equipment	$ 1,456	$ 6,929	$ 5,454	$ 6,818	$ 4,358	$ 15,543

(In 000's, except per share data)	2007			
THREE MONTHS ENDING	Q4 (Restated)	Q3 (Restated)	Q2 (Restated)	Q1 (Restated)
REVENUES				
Well Servicing	$ 8,855	$ 7,270	$ 3,968	$ 10,137
Other Oilfield Services	$ 3,719	$ 4,643	$ 1,998	$ 6,761
	$ 12,574	$ 11,913	$ 5,966	$ 16,898
Net income (loss)	(134)	272	(3,744)	(454)
EPS: Basic and diluted	(0.01)	0.01	(0.13)	(0.04)
Weighted average Class A common shares	22,533	22,663	14,427	10,468
Weighted average Class B common shares	5,748	5,654	6,772	–
Total weighted average common shares	28,281	28,317	21,199	10,468
Total assets	118,465	110,762	107,107	106,675
Debt	29,242	20,138	15,239	57,852
Purchase of property, plant and equipment	$ 12,154	$ 5,551	$ 6,770	$ 12,577

Revenues for the second quarter were $6.4 million, a year over year decrease of $6.4 million or 50%. The majority of the decrease relates to the Well Servicing Segment where reduced utilizations decreased revenues by $4.7 million year over year. Reduced utilization rates within the Other Oilfield Services Segment decreased revenues $1.7 million year over year. Accordingly, utilization rates for both the Well Servicing and Other Oilfield Services Segments were down year over year by 22% and 14%, respectively.

Net loss declined in the second quarter as a result of lower than expected utilization rates and one time charges for bad debts and expenses relating to the proposed takeover proposal. The second quarter ended with a net loss of ($5.6 million), a decline of $2.8 million from the second quarter of 2008 and $4.3 million from the first quarter of 2009.

Weighted average common shares have declined as a result of the Company's Normal Course Issuer Bid ("NCIB") program which began in August 2007 and renewed in September, 2008. Under the renewed NCIB, the Company is permitted to purchases up to a maximum of 1,073,187 Class A Shares on the open market. To date in 2009, a total of 63,500 have been repurchased at an average cost of $0.46 per share including commissions. No shares were repurchased in the three months ended June 30, 2009.

Term debt declined by $0.1 million from the first quarter of 2009 and increased $13 million from the second quarter of 2008. The increased debt has been used to fund expansion of the fleet, critical to the long-term viability of the Company. Capital expenditures for the second quarter of 2009 totalled $1.5 million, all of which were funded from cash flows from operations.

Well Servicing Segment

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	2008 *(Restated)*	2009	2008 *(Restated)*
WELL SERVICING				
Revenues	$ 4,467,304	$ 9,164,605	$ 17,445,993	$ 26,370,894
Income (loss) before taxes	(1,630,762)	(397,509)	(595,996)	2,356,503
Depreciation and amortization	1,615,903	2,321,852	3,568,779	5,010,730
EBITDAS (1)	$ (14,859)	$ 1,924,343	$ 2,972,803	$ 7,367,233

(1) EBITDAS is calculated from the statement of income (loss) as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

The Well Servicing Segment consists of a fleet of 44 service rigs and related support equipment and eight (8) coil tubing units. The fleet operates from facilities in Red Deer, Provost, Brooks and a newly established facility in Grande Prairie. The Company's fleet of service rigs consists mainly of rigs that have been built since the inception of the Company and provides safer, more reliable equipment than that of its competitors.

Revenues for the second quarter of 2009 were $4.5 million, a decrease of $4.7 million year over year. The reduction in revenues is consistent with the 22% year over year decrease in utilization consistent with the downturn currently being experienced in the industry and the additional negative pressures on rates. Year to date, the 22% reduction in utilization rates resulted in a $9.0 million reduction in revenues.

Gross profit expressed as a percentage of revenues was 28% for the first six months of 2009, versus 37% in 2008. The decline is a result of decreased utilization and downward pressure on rates charged to the customers.

Income (loss) before taxes of ($1.6) million declined $1.2 million from the second quarter of 2008, again as a result of the decreased utilizations and lower rates resulting in a lower profit margin to cover fixed overhead costs. Year to date, decreased utilizations as a result of the current economic downturn resulted in a $3.0 million reduction in income year over year.

Depreciation decreased by $0.7 million year over year as a result of the implementation of a change in estimate which occurred in the third quarter of 2008 and the lower utilization rates. Service rigs are depreciated on a unit of production basis so as utilization declines, the depreciation for these units declines at a corresponding rate.

EBITDAS decreased by $1.9 million year over year for the three months ended June 30, 2008 and $4.4 million for the six months ended June 30, 2008, largely due to the decrease in rates charged and the decline in utilizations in the quarter.

Other Oilfield Services Segment

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	2008 *(Restated)*	2009	2008 *(Restated)*
OTHER OILFIELD SERVICES				
Revenues	$ 1,929,976	$ 3,591,160	$ 7,987,901	$ 10,969,983
Income (loss) before taxes	(1,026,870)	(196,644)	(473,474)	1,427,682
Depreciation and amortization	615,133	744,817	1,220,253	1,504,845
EBITDAS (1)	$ (411,737)	$ 548,173	$ 746,779	$ 2,932,527

(1) EBITDAS is calculated from the statement of income (loss) as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

The Other Oilfield Services Segment consists of eight (8) snubbing units, 14 nitrogen tankers and pumpers, 12 well testing units and rental equipment. The nitrogen pumping units are a heat recovery nitrogen system used in many applications of the services provided by the Company. Nitrogen is used in place of air whenever a risk hazard assessment dictates. Nitrogen is an inert gas that is non-corrosive and non-explosive. It is ideal for industrial type applications for purging pipelines, pressure testing vessels and facilitating withdrawing stored liquids from vessels. The nitrogen pumpers also work in conjunction with the Company's coil tubing, well servicing and snubbing divisions and provide a synergized service for the Company's clientele. Snubbing and stripping operations are designed to enhance efficiency and performance in completion and workovers, wireline operations and underbalanced drilling. Snubbing units have the ability to operate in a continuous, pressure-controlled environment such as fluid-sensitive formations, under-pressured reservoirs, naturally fractured reservoirs and low-permeability sandstone reservoirs.

Revenues for the second quarter were $1.9 million, a decrease of $1.7 million. Year to date, revenues declined by $2.9 million on a year over year basis. The decrease in revenues is attributable to utilization rates for this segment decreasing by 14% to 13% in the second quarter of 2009 from 27% in the second quarter of 2009.

Gross profit expressed as a percentage of revenues was 7% for the second quarter, versus 29% in 2008, a decrease of 22% on a 14% decrease in utilizations. Year to date, gross profit expressed as a percentage of revenues decreased by 13% to 24%. The gross profit percentage was impacted negatively as more employees in the nitrogen division are on a fixed salary, rather than an hourly rate. As a result, as utilization rates decrease, the margin is decreased significantly as less hours of work are obtained from the same fixed salary cost.

Income (loss) before taxes of ($1.0) million for the three months ended June 30, 2009 has declined ($0.8) million from the prior year, as a result of the decreased utilization rates for this segment and lower rates charged to customers compounded by the effect of having to cover the fixed salary costs remaining in this division. Year to date, income (loss) before taxes declined $1.9 million year over year.

Depreciation year over year, decreased by $0.1 million for the quarter and $0.3 million year to date as a result of the implementation of a change in estimate on production equipment in the third quarter of 2008, which lowered depreciation. Production equipment used in the Other Oilfield Services Segment is amortized on a straight-line basis versus the units of production method used by service rigs in the Well Servicing Segment. As a result, depreciation does not fluctuate with changes in utilization rates.

EBITDAS year over year, decreased by $0.9 million for the quarter and $2.2 million year to date largely due to the decline in utilization rates and the impact of the fixed salary costs in the nitrogen division.

Liquidity and Capital Resources

	2009		2008			
FOR THE QUATER ENDED	JUNE 30	MARCH 31	DECEMBER 31	SEPTEMBER 30 (Restated)	JUNE 30 (Restated)	MARCH 31 (Restated)
Working capital net of term debt	5,918,992	9,747,219	12,238,602	12,742,370	9,354,114	16,968,484
Working capital (deficiency)	(52,703,846)	(48,454,896)	12,238,602	12,762,370	9,374,114	16,988,484
Working capital (deficiency) net of restricted cash	(52,703,846)	(48,454,896)	12,238,602	12,742,370	9,354,114	16,968,484
Debt	58,647,338	60,298,124	55,419,098	52,069,935	45,615,061	49,172,360
Shareholders' equity	72,896,522	77,864,744	78,878,772	80,777,345	80,116,784	82,690,368
Debt to equity	0.80	0.77	0.70	0.64	0.57	0.59

	2007			
FOR THE QUATER ENDED	DECEMBER 31 (Restated)	SEPTEMBER 30 (Restated)	JUNE 30 (Restated)	MARCH 31 (Restated)
Working capital (deficiency)	6,887,749	9,538,833	7,372,666	8,693,451
Working capital (deficiency) net of restricted cash	6,472,749	9,123,833	6,957,666	8,278,451
Debt	29,241,812	20,138,422	15,238,728	57,851,746
Shareholders' equity	80,785,259	81,040,920	80,854,625	34,535,554
Debt to equity	0.36	0.25	0.19	1.56

For the second quarter of 2009, working capital was a deficiency of $52.7 million, a further decrease of $4.2 million from the first quarter of 2009. The decrease is a result of the term debt, which is due in January 2010, becoming current in the first quarter of 2009. Excluding this debt, working capital was $5.9 million as at June 30, 2009, a decline of $3.8 from the first quarter of 2009.

The decrease in debt of $1.7 million from the first quarter is a result of repayment of all amounts drawn on the operating facility at the end of the first quarter and the accretion expense taken in the quarter.

Shareholders' equity is $72.9 million at June 30, 2009, a reduction of $5.0 million from the first quarter of 2009. The reduction in equity is a result of the loss incurred in the second quarter of 2009.

As at June 30, 2009, the Company had 20,233,830 Class A Common Shares issued and outstanding and 6,953,531 Class B Common Shares issued and outstanding.

Debt to equity is 0.80 at June 30, 2009, 0.23 higher than as at June 30, 2008. This is mainly a result of increased debt being incurred to fund the expansion plans of the Company. The Company has a debt facility to a maximum of $59.9 million, which is due in January, 2010. All of the funds available under this facility have been drawn. It is the Company's intention to reduce the amount of the debt to $29.9 million and refinance that amount prior to its due date.

A rights offering was approved by the Company on August 24, 2009, which will result in proceeds of $30 million to reduce the loan amount prior to refinancing. This Offering is being supported by the Company's largest shareholder, Tricap Partners II L.P., by agreeing to backstop the Offering. Tricap has agreed, subject to the completion of due diligence, to acquire any Class A Shares not issued under the basic subscription rights of other shareholders. This provides assurance to the Company that it will receive the full required $30 million Offering. Should the Company be unable to find suitable refinancing prior to the due date, the Company will evaluate all options availabe to it, including the possible sale of certain assets sufficient to reduce the amount of the debtoutstanding to an amount that would make refinancing possible. The Company is currently in default of covenants under this facility and the Company has received a waiver until August 31, 2009. As a result of the default the lender has elected to exercise the right to charge the default interest rate which is an increase of five percent (5%) over the current prime plus 2.75%.

On August 24, 2009, the Company approved a rights offering for proceeds of $30 million. These funds will be used to reduce the term debt to $29.9 million, an amount at which refinancing is likely. The rights offering is expected to close late in the fourth quarter and the Company is moving ahead with refinancing the remaining debt amount.

As at June 30, 2009, the Company is committed to additional payments totalling $4.8 million to complete the capital build program initiated in the third quarter of 2008. These remaining amounts are to be funded through operating cash flows as the term debt has been drawn to the full amount available as at June 30, 2009. The Company has been able to negotiate a postponement of the delivery of two units and the related support equipment under the build program, totalling $3.5 million until later in the third or fourth quarters of 2009. On August 4, 2009 the Company completed the sale of two complete service rigs and related support equipment to a third party for proceeds of $5.4 million. The purchaser will be relocating the equipment outside of Canada and the agreement states they cannot operate the equipment within Canada for four years from the date of sale. The $5.4 million in proceeds from the sale will be used to satisy the outstanding capital commitments.

In addition to term debt, the Company has an operating line available to a maximum of $15 million, marginalized for trade receivables to fund operations. As at June 30, 2009, no amounts are outstanding on this line and a maximum of $3.4 million is available after marginalizing for accounts receivable.

Changes in cash are outlined as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	2008 *(Restated)*	2009	2008 *(Restated)*
Cash flow from operating activities	$ 4,095,351	$ 7,152,805	$ 2,915,735	$ 485,264
Less: Change in non-cash working capital	6,435,837	6,622,326	3,084,763	(6,200,948)
Funds from operations	(2,340,486)	530,479	(169,028)	6,686,212
Cash invested in acquisition of equipment	(1,455,821)	(4,357,806)	(8,385,249)	(19,900,395)
Proceeds on sale of assets	100,000	–	127,000	14,095
Decrease in restricted cash	–	–		395,000
Repurchase of common shares	–	(13,195)	(29,037)	(40,222)
Transaction costs	–	–		(306)
Repayment of debt	(2,171,509)	(4,000,000)	(100,000)	(4,000,000)
Issuance of debt	–	1,218,196	2,300,000	21,176,530
Increase (decrease) in cash	$ 568,021	$ –	$ (3,171,551)	$ (1,870,034)

Significant Agreements

During the third quarter of 2008, a new capital build program was initiated that will result in seven (7) additional service rigs being added to the Company's fleet through 2009. As at June 30, 2009, the Company is committed for an estimated $4.8 million upon completion and delivery of equipment in various stages of construction.

Contractual Obligations and Commitments

The Company is committed to the repayment of its long-term debt in January, 2010, including principal and interest. The Company is currently evaluating all options to refinance the term debt.

The Company is also committed to pay $0.40 per outstanding warrant, which warrants expire on January 25, 2010. The maximum cost to the Company relating to the commitment to pay out the warrants is $1.2 million. The discounted value of this obligation has been reflected as a liability in the financial statements.

Outlook

The number of shares tendered under the take-over proposal by Tricap Partners at the end of the second quarter did not meet the required number of shares under the offer and as a result Tricap did not take up and pay for any shares. The shareholder base did not change as a result of the proposal.

The outlook for the remainder of 2009 continues to remain uncertain as oil prices remain volatile and gas prices remain depressed. The Company plans to continue its marketing campaign and is focusing on new customers and the marketing of integrated services.

The rig build program has four remaining rigs to be received at the end of the second quarter. Two were received early in the third quarter and the final two will be received later in the third quarter. Subsequent to the close of the quarter, two complete rig packages were sold to a Canadian drilling contractor with international operations which is relocating the equipment outside of Canada. The proceeds from the sale will be used to fund the remaining capital commitments under the build program and the 2009 capital program.

The Company will continue to focus on the challenge of negotiating its term credit facility which matures in January, 2010. The Company acknowledges this challenge, however, management believes that the Company has the ability to replace or negotiate this facility prior to the due date. On August 24, 2009, the Company approved a rights offering totaling $30 million the proceeds from which will be used to reduce the term debt to $29.9 million, an amount which is likely to be refinanced.

Critical Accounting Estimates

This MD&A of the Company's financial condition and results of operations is based on the financial statements which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The presentation of these financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. These estimates are based on experience and assumptions that are believed to be reasonable under the circumstances. Although care has been taken, anticipating future events can not be done with certainty, therefore actual results may vary from these estimates over time as more accurate information is available and as the Company's operating environment changes.

Future Operations: The Company currently has a debt facility to a maximum of $59.9 million due on January 26, 2010. As at June 30, 2009, $59.9 million was drawn on the facility. Recent market events, including disruptions in credit markets and the deterioration of global economic conditions resulted in significant declines in commodity prices. This impacted the Company through lower than anticipated utilizations, which impaired the Company's ability to generate cash flows from operations sufficient to settle the obligation or reduce it to a lower amount more likely to be re-financed. In addition, the operating line the Company entered into ceases to be committed in November of 2009. As at June 30, 2009, no amount is outstanding on the line. The Company anticipates that it will be in breach of covenants on both facilities throughout 2009. As a result, a waiver was obtained from the lender of the term facility until August 31, 2009. Under the terms of the credit facility the lender has elected to begin charging the Company the default interest rate, an additional five percent (5%) per annum over and above the current prime plus 2.75%. The lender of the operating line of credit provided a waiver for the period ended June 30, 2009. Given the reduced access to credit and equity markets in the current economic environment there can be no assurance that these facilities will be re-negotiated or replaced with alternate facilities on terms suitable to the Company. To help manage liquidity, management has postponed delivery of the final two rigs and related support equipment under the capital build program and postponed all other capital expenditures approved under the 2009 capital budget until market conditions improve. On August 24, 2009, the Company approved a rights offering totaling $30 million, proceeds from which will be used to reduce the debt to $29.9 million, an amount that is more likely to be refinanced prior to the due date. This Offering is being supported by the Company's largest shareholder, Tricap Partners II L.P., by agreeing to backstop the Offering. Tricap has agreed, subject to the completion of due diligence, to acquire any Class A Shares not issued under the basic subscription rights of other shareholders. This provides assurance to the Company that it will receive the full required $30 million Offering. Further declines in commodity prices could adversely affect management's ability to refinance or re-negotiate the facilities and settle their obligations.

The Company's continuation as a going concern is ultimately dependent upon its future financial performance, which will be affected by general economic conditions, availability of debt and/or equity to finance operations, commodity prices, industry activity and other factors, many of which are beyond the Company's control.

Impairment of Long-Lived Assets: Long-lived assets, including property and equipment and intangible assets, comprise a majority of the Company's assets. Management reviews the carrying values of these assets for impairment periodically or whenever events or changes in circumstance indicate that their carrying value may not be recoverable. When this occurs management performs various tests to see if the net carrying value differs from fair value, and if the fair value is less than the carrying value the asset would be considered to be impaired and an impairment loss would be recognized to reduce the asset's carrying value to its estimated fair value. The downturn seen in the latter part of 2008 was seen as such a circumstance and as a result a test for impairment of intangible assets was conducted at that time and no write down was required. Management will continue to closely monitor the possibility of impairment throughout the downturn.

Depreciation and Amortization: The Company's property, plant, equipment and intangibles are depreciated and amortized over estimated useful life using both straight line and unit-of-production methods.

The estimates may change over time as more useful information becomes available, market conditions shift or other factors change the estimated useful life of the assets.

Stock Based Compensation: Stock based compensation expense associated with the stock-option rights granted to directors and employees is calculated based on assumptions using the Black-Scholes option pricing model to produce an estimate of compensation. This estimate may vary due to changes in the Black-Scholes variables, which include the risk free rate of return, the share price volatility and the rates of forfeiture.

Risk Management

Business Risk: Activity in the oil and gas industry is subject to a range of external factors that are difficult to actively manage, including resource demand, commodity pricing and climate. The Company seeks to mitigate these risks by maintaining a strong balance sheet and remaining responsive to changes in industry dynamics.

The Company has a comprehensive insurance policy to help safeguard its assets, operations and employees. This is reviewed annually and revised as changes in circumstances warrant.

Credit Risk: The Company's policy is to enter into agreements with customers that are well-established and well-financed within the oil and gas industry. There is always a risk relating to the financial stability of customers and their ability to pay. Management will continue to periodically asses the credit worthiness of all its customers and views the credit risk on its accounts receivable as normal for its industry.

During the second quarter of 2009, in the opinion of management, decreased liquidity left two customers with potentially insufficient funds to settle obligations. As a result, bad debt expense of $41,951 and $187,888 was provided for in the three and six months ended June 30, 2009, respectively.

It is anticipated that the current economic downturn will continue throughout most of 2009 and as a result, there is a potential for increased credit risk as companies struggle to meet obligations as access to capital markets and debt financing becomes increasingly difficult. To mitigate this risk in light of current circumstances, management has focused their marketing efforts with larger companies that have strong balance sheets and positive cash flows.

Liquidity Risk: Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its financial obligations. The credit facilities available consist of a term facility to a maximum of $59.9 million maturing on January 26, 2010, and a short-term operating line of credit to a maximum of $15 million. Term facilities are used to fund capital acquisitions and the short-term line of credit is used to settle current obligations such as accounts payable. As a result of the long term debt facility expiring in January 2010, the Company must refinance this facility through a replacement facility, an issuance of equity or a combination of the two as the projected cash flow in 2009 will not be sufficient to retire the facility.

The Company may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances in a timely manner, which could in turn impact the Company's long-term ability to meet commitments under its current facilities. In order to manage this liquidity risk, the Company actively monitors all accounts receivable to maintain accounts outstanding over 60 days to less than 25 percent of the total balance. As at June 30, 2009, the balance of trade accounts receivable in excess of 90 days was $561,858, representing approximately 11% of the trade accounts receivable balance. Of this amount, $94,455 has been provided for as an allowance for bad debts. A structure is maintained that focuses on growth of the Company while ensuring viability for stakeholders. Finally, in an effort to combat the seasonality of the oilfield business and reduce long-term liquidity risk exposure, the Company regularly reviews its cash availability and whenever the conditions permit, the excess cash is applied to the debt outstanding.

Market Risk: Market risk is comprised of foreign currency risk and interest rate risk.

Foreign Currency Risk: Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is not significantly exposed to foreign currency risk.

Interest Rate Risk: The Company manages its exposure to interest rate fluctuations through the issuance of a combination of variable and fixed rate borrowings. During 2008, with declining interest rates occurring and being expected to continue throughout 2009, the decision was made to enter all debt into variable rate terms. This policy is expected to continue throughout 2009 and will be evaluated regularly based on changing market conditions and it is anticipated that a fixed rate contract will be entered into when refinancing of the term debt occurs. For the three and six months ended June 30, 2009, a one percent change in the prime lending rate would have impacted the net loss by $149,589 and $296,957.

Supplier Risk: In the past, the Company had a large portion of its service rigs and associated equipment manufactured by a single provider. In order to mitigate the risk of short-term vulnerability should the supplier experience unusual production disruptions or labour disputes, the Company commenced utilizing several suppliers to provide various components of a total package. Suppliers are selected for various components based on their reputation in their respected industry, and the price and quality of the product produced.

Seasonal Risk: 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 provincial transportation departments enforce road bans that restrict the movement of service equipment, which reduces activity levels and places an increased level of importance on the location of the Company's equipment prior to imposition of road bans. The timing and length of road bans is dependent on the weather conditions leading to the spring thaw and weather conditions during the thaw period. The Company's business results depend, at least in part, upon the severity and duration of the Canadian winter and the spring thaw, which may lead to reduced oil and gas exploration activity and corresponding declines in the demand for the Company's service equipment during those times.

Competitive Conditions: The operating climate within the Western Canadian Sedimentary Basin is very competitive, resulting in fluctuations of price and utilization rates. The Company attempts to mitigate these risks by creating a good working relationship with its customers and focusing on longer term contracts.

Changes in Accounting Policies

In February 2008, the Canadian Institute of Chartered Accountants issued Section 3064 "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and other intangible assets". The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard will be applicable to the Company on January 1, 2009. The new standard did not have a material impact on the Company's financial statements as at June 30, 2009.

With the Canadian Accounting Standards Board's recent announcement that January 1, 2011 as the date International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable enterprises, the Company, has been carefully evaluating its own implementation plan and assessing the impact the various accounting changes will have on the organization. As the final implementation date approaches, the Company will continue to monitor developments.

To date, management has created a changeover plan for IFRS conversion that has been presented to, reviewed and authorized by the Audit Committee of the Board of Directors. Hallmarks of the change over plan include, definition of the discrete tasks required for conversion, a timeline for the completion of the discrete tasks, an estimate of the effort and duration associated with the conversion, prioritization of tasks, the assignment of key personnel within the organization and an analysis of key interdependencies relating to the conversion steps. The conversion began in February, 2009. Completion of the conversion is expected to occur in November 2009.

During the first six months of 2009, the Company evaluated the effects of IFRS on its treatment of revenues, expenses, current assets and current liabilities and determined that no material changes would result as a result of the transition from Canadian GAAP to IFRS in these areas. The Company is currently working on the componentization of the equipment as well as an evaluation of the intangibles and expects to have these two significant areas completed prior to the release of the third quarter.