MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following MD&A contains information concerning the Company's vision, business strategies, capabilities, financial results and an overview of its outlook for the Company and the industry as at November 17, 2006. The following discussion is based on the Company's interim financial statements, which were prepared in accordance with generally accepted accounting principles. The discussion of financial condition and results should be read in conjunction with the financial statements and notes contained in the audited financial statements for the ten month period ended December 31, 2005. Additional information is available on the Company's website [www.cawsc.com] and all previous public filings are available on Sedar at www.sedar.com.

This discussion and analysis contains forward-looking statements that reflect management's expectations regarding the Company's future growth, operating results and market opportunities. Terms such as "anticipate", "expect", "believe" and other similar words are used to help identify these forward-looking statements. These forward-looking statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risk factors materialize, or should assumptions prove incorrect, the actual results may vary significantly from those expected. The Company does not intend, and does not assume any obligation, to update these forward-looking statements.

Corporate Developments

Central Alberta Well Services Corp. ("Central Alberta" or the "Company") is headquartered in Red Deer, Alberta, providing well services to oil and gas companies operating in Western Canada. The Company's core business activities are well servicing, utilizing service rigs and coil tubing technology and other related oilfield services, including rig assisted snubbing, nitrogen, well testing and equipment rentals. On March 31, 2006, the Company completed three accretive acquisitions, expanding its service line to include the latter oilfield services.

Central Alberta Well Services Corp. ("CAWS"), a predecessor to the Company, was incorporated on March 1, 2005 and concurrently acquired the assets of Cactus Coil Tubing Ltd. for cash consideration of $2.7 million. On September 1, 2005, CAWS amalgamated with e-Quisitions Inc. ("EQ"), a non-operating public company and the combined business continued as Central Alberta Well Services Corp. The amalgamation was accounted for as a reverse takeover transaction as the former shareholders of CAWS controlled approximately 80% of the outstanding shares of the Company following amalgamation.

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of SSI Special Services Inc. ("SSI") and certain shareholder loan balances for total consideration of $18.3 million, excluding transaction costs, including $4 million and the issuance of 8.0 million treasury shares of the Company. SSI provides nitrogen and snubbing services to oil and gas companies operating in Western Canada and has been in operation since 1997.

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of Precise Energy Services Ltd. (“Precise”) for a purchase price of $4.8 million, excluding transaction costs, by the issuance of 2.5 million treasury shares of the Company. Precise provides well testing services to resource companies operating in Western Canada.

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of 1080104 Alberta Ltd., operating as Vertical Rentals (“Vertical”) for a purchase price of $2.3 million, excluding transaction costs, by the issuance of 1.2 million treasury shares. Vertical has a fleet of rental equipment that it provides to oil and gas customers in Western Canada.

These acquisitions were accounted for using the purchase method. The results of operations and the financial position of these companies have been included in the consolidated financial statements for the quarter ended September 30, 2006.

Operational Overview

From strategic locations in Red Deer and Provost, Alberta, the Company provides well servicing, snubbing, nitrogen pumping and supply, well testing and equipment rentals to oil and gas companies operating in the Western Canadian Sedimentary Basin. These services include completions, work-overs and abandonments, well maintenance, high pressure and critical sour gas well work, re-entry preparation drilling and servicing coal bed methane work-overs and completions.

One of the Company’s strategies is to capture market share by providing a complementary line of oilfield services, utilizing leading-edge well service technology and by focusing unwaveringly on safety, health and employee welfare in all aspects of its operations.

The management team has extensive experience in the Canadian oil and gas service industry, having previously developed a well service operation that, at the time of divestiture, operated a fleet total of 165 service rigs and was one of the largest well service operations in North America. The nitrogen and snubbing operations are managed by the same individuals that founded the SSI operation nine years ago. The Company plans to leverage their industry knowledge and track record to recruit and retain experienced field crews, design and construct a modern equipment fleet and develop a strong customer franchise.

The design and development of a standardized equipment fleet, utilizing identical components that are sourced through one primary equipment manufacturer is a key competitive strength. The standardized fleet provides the operating advantages of reduced maintenance and training costs and a lower investment in inventories. The Company’s commitment to incorporating leading edge technology stands out in an industry characterized by an aging equipment infrastructure. The fleet is lighter and more mobile

resulting in higher utilization and greater well site access when road conditions and other seasonal issues become inhibiting factors for older and heavier equipment.

During Q1 and Q2 2006 the oil and gas service industry had been operating at record activity levels and was constrained by shortages of skilled trade people. During Q3 2006 activity levels began to decline below those levels as weather and commodity pricing took a toll on drilling and service activity. To date, the Company has been successful in recruiting experienced crews but acknowledges it will have to introduce innovative employee retention programs to continue to attract and retain skilled staff. The new equipment fleet should continue to be a catalyst for attracting qualified operating teams.

Capital Structure	**For the Quarter Ended**						
	Sep. 30, 2006	Jun. 30, 2006	Mar. 31, 2006	Dec. 31, 2005	Sep. 30, 2005	Jun. 30, 2005	Mar. 31, 2005 [1 month]
Total assets	$ 109,106,735	$91,475,091	$81,371,149	$27,173,800	$20,338,246	$19,785,195	$ 4,122,583
Total liabilities	63,361,261	46,174,241	35,742,653	8,578,656	14,684,198	14,226,881	3,927,818
Long-term debt	16,937,611	17,182,610	14,040,639	4,950,000	13,595,425	13,845,574	-
Shareholders' equity	45,745,474	45,300,850	45,628,496	18,595,144	5,654,048	5,558,314	194,765
Long-term debt to equity	0.37	0.38	0.31	0.27	2.40	2.49	-
Shares outstanding							
At end of period	41,718,232	41,718,232	41,716,565	27,080,138	7,235,138	3,775,008	1,275,000
Weighted average	41,718,232	41,718,122	28,457,574	20,282,878	4,553,474	3,005,775	1,275,000

The large increase in capital employed as at March 31, 2006 reflected the acquisition of three wholly owned subsidiaries at March 31, 2006. The investment in total assets increased during Q2 2006 with capital asset additions including four service rigs, one coil tubing unit and two nitrogen pumpers. In Q3 2006 the fleet was further expanded by three service rigs, one coil tubing unit and one pressure tank. Long-term debt to equity decreased marginally during the quarter.

During Q1 2006, $21.4 million of equity was issued as consideration for the above referenced acquisitions. In addition, the Company also completed a private placement of 2.9 million shares for net proceeds of $4.9 million. Other than the exercise of a small number of options during Q2 2006, there were no further issuances of share capital during Q2 2006 or Q3 2006.

Significant Agreements

On April 1, 2005, the Company signed a Master Supply Agreement (“MSA”) for the procurement of service rig packages to the end of 2007. During Q1 2006, the exclusivity provisions were removed from the MSA, enabling the Company to acquire equipment from other suppliers. This amendment was made to address issues with equipment lead times for certain key components and the potential production back logs. The president of this supplier is a director of Central Alberta and all transactions have been disclosed as related party transactions. The pricing for all equipment purchased under this agreement does not exceed fair market value.

All remaining capital equipment acquired for the snubbing, nitrogen, well testing and rental operations is provided by arms-length parties and is not subject to any long-term supply agreements.

Selected Financial Information

	For the Quarter Ended						
	Sep. 30, 2006	Jun. 30, 2006	Mar. 31, 2006	Dec. 31, 2005	Sep. 30, 2005	Jun. 30, 2005	Mar. 31, 2005 [1 month]
Revenues	$ 13,289,105	$ 7,635,119	$ 4,931,474	$ 1,946,699	$ 552,068	$ 398,237	$ 80,156
Net income (loss)	182,751	(761,609)	103,090	(633,742)	(1,187,566)	(938,533)	(108,431)
EPS: basic and diluted	0.00	(0.02)	0.00	(0.03)	(0.26)	(0.31)	(0.09)
Weighted average common shares	41,718,232	41,718,122	28,457,574	20,282,878	4,553,474	3,005,775	1,275,000
Total assets	109,106,735	91,475,091	81,371,149	27,173,800	20,338,246	19,785,195	4,122,583
Long-term debt	16,937,611	17,182,610	14,040,639	4,950,000	13,595,425	13,845,574	-
Purchase of property and equipment	$ 6,476,954	$ 20,075,689	$ 9,262,272	$ 8,754,760	$ 2,780,272	$ 6,585,654	$ 293,910
Units operating at end of period							
Service rigs	15	12	8	4	1	-	-
Coil units	5	4	3	3	3	2	2
Snubbing units	5	5	5	-	-	-	-
Nitrogen tankers & pumpers	10	10	8	-	-	-	-
Pressure tanks	10	9	9	-	-	-	-

Q3 2006 revenues increased by $5.6 million or 74% from Q2 2006, reflecting the expanded equipment fleet, seasonal weather patterns and the emerging marketing impact of the Company's comprehensive service line. The Company generated net income of $0.2 million as activity increased during Q3 2006. The second quarter is traditionally slower due to spring break up, road bans and wet weather. Management had expected Q3 2006 to be even stronger but the rainy conditions during the last two weeks of September 2006 and the impact of lower commodity pricing negatively impacted the final results for the quarter. Included in these results is non-cash stock based compensation expense of $0.3 million pursuant to the stock option plan.

Capital expenditures include advances for capital assets under construction at the end of each of the quarters presented. However, these assets are not depreciated until they are available for use. Capital equipment received during Q3 2006 consisted primarily of the purchase of three service rig packages, one coil tubing unit and one pressure testing system. It is important to note that two of the service rigs were received at the end of the quarter and did not contribute to the Q3 2006 operating results. The incremental cash flow expected from these additions will be realized in Q4 2006.

Q3 2006 Quarterly Review

Consolidated Highlights	Three months ended				Nine months ended		Seven months ended	
	September 30, 2006		September 30, 2005		September 30, 2006		September 30, 2005	
(unaudited)								
Revenues	$	13,289,105	$	552,068	$	25,855,698	$	1,030,460
Operating costs		7,908,146		362,207		15,317,437		784,837
		5,380,959		189,861		10,538,261		245,623
		40.5%		34.4%		40.8%		23.8%
General and administrative expenses		1,294,871		537,161		3,680,141		1,099,206
EBITDA [(1)]		4,086,088		(347,300)		6,858,120		(853,583)
EBITDA per share [(1)]								
Basic and diluted		0.10		(0.08)		0.18		(0.25)
Stock based compensation		261,872		128,312		1,266,007		128,312
Interest		786,669		633,612		1,541,658		1,052,395
Depreciation and amortization		2,046,070		78,342		4,599,994		200,240
Net income (loss)		182,751		(1,187,566)		(475,768)		(2,234,530)
Funds from operations [(2)]		3,038,009		(755,459)		5,231,248		(1,528,258)
Funds from operations per share [(2)]								
Basic and diluted		0.07		(0.17)		0.14		(0.45)
Purchase of property and equipment	$	6,476,954	$	2,780,272	$	35,814,913	$	9,659,836

[(1)] **EBITDA** 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. EBITDA 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.

The consolidated highlights above include certain consolidated accounts of the Company as at September 30, 2006 and the results of operations for the three and nine months then ended. The comparative financial results are for the three month period ended September 30, 2005 and the seven month period from the date of incorporation to September 30, 2005.

Consolidated revenues increased by $5.6 million or 74 % in Q3 2006 from Q2 2006 as additional equipment was added to the operation and seasonal activity levels increased. The consolidated results included the revenues from each of the Company's three wholly owned subsidiaries. Average billing rates on service rigs tend to be higher than those charged on coil tubing units which impacted revenues during the third quarter as the Company finished the quarter with fifteen service rigs and five coil tubing units. The average billing rates for Q3 2006 in the well service division were approximately 3% higher than the average rates during Q2 2006.

Operating costs include both fixed and variable charges and averaged 59.5% of revenues during Q3 2006 as the service mix changed with the impact of subsidiary operations and increased third quarter activity levels. By comparison, operating costs averaged 61.8% of revenues for Q2 2006. Consolidated gross profit percentages were 40.5% for Q3 2006

and averaged 40.8% for the nine months ended September 30, 2006. Management is reiterating the guidance it provided in the Q2 2006 MD&A and remains confident that consolidated gross profit percentages will be maintained at no less than 40% for the balance of the year.

Consolidated general and administrative expenditures for Q3 2006 of $1.3 million averaged 9.7% of sales and decreased from $1.7 million for Q2 2006. This expense category includes a large number of fixed costs which decrease as a percentage of sales when activity increases. This expense category includes the combined overhead expenses of the Company and its three wholly owned subsidiaries from April 1, 2006 onward, accounting for a large portion of the year over year increase. During Q4 2006 the Company will be continuing to integrate subsidiary administrative functions into its head office and plans to convert all divisions onto a common reporting package.

General and administrative	Three months ended		Nine months ended	Seven months ended
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
(unaudited)				
Wages and benefits	$ 681,844	$ 207,498	$ 1,589,770	$ 401,347
Office	2,146	32,624	325,689	82,028
Facility	205,173	62,932	514,011	124,553
Professional fees	65,858	165,731	497,178	357,537
Other administration	339,850	68,376	753,493	133,741
	$ 1,294,871	$ 537,161	$ 3,680,141	$ 1,099,206

Wages and benefits include a number of additions to the management and operational teams and increased by 8.1% for Q3 2006 from Q2 2006. In view of the Company's growth plans salary costs are expected to continue to increase marginally over the next few quarters. Office costs were significantly impacted by a one-time reduction adjustment of insurance premiums during Q3 2006. Facility costs include the increased rental and utility charges on the new head office and well service location, as well as the continuing SSI lease obligations. Professional fees include a number of costs related to the system integration initiative and a recovery related to the SSI acquisition, while the balance relate to recurring legal and accounting fees for various corporate developments and reporting requirements. Professional fees are expected to diminish over the next few quarters as the Company integrates its recent acquisitions and focuses on internal growth. Other administration costs include a broad range of consolidated overhead costs including travel, investor relations, advertising and promotion, automotive and various training programs.

Stock based compensation expense decreased to $0.3 million in Q3 2006 from $0.4 million for Q2 2006 as no options were issued during the quarter. One of the Company's retention strategies is to widely distribute its stock options. Options are not treated as an executive perquisite but are provided to every employee of the organization. The resulting non-cash expense is recorded on a quarterly basis.

Interest expense includes interest on $16.9 million of long term debt and a $35 million short-term bridge facility. Long-term debt decreased by $0.2 million during Q3 2006 as a result of recurring monthly payments. The bridge facility was increased by $14 million at

the end of the quarter and the term was extended to April 30, 2007. No additions are planned to the long and short term loan amounts during Q4 2006.

Capital expenditures for Q3 2006 include three service rigs, one coil tubing unit and one pressure tank system. These expenditures also include construction advances related to equipment to be received during Q4 2006. Capital equipment additions will continue through Q4 2006 as the Company moves towards critical mass.

Related party transactions represent equipment purchases under the MSA during the course of normal business activities. The prices paid for equipment are governed by the MSA and do not exceed fair market value.

	September 30,2006	December 31, 2005
Purchases of capital equipment	$ 27,269,085	$ 13,235,793
Amounts in accounts payable	$ 296,716	$ 2,246,018

EBITDA generated on a consolidated basis was $4.1 million for Q3 2006 and $6.9 million for the nine months ended September 30, 2006. Funds generated from operations were $3.0 and $5.2 million for the same periods. Management expects to generate increasingly positive EBITDA and funds from operations over the balance of 2006 as activity increases, new equipment is introduced and the Company actively markets the full synergies of its expanded service offering.

Divisional Performance

Well Servicing	**Three months ended**		**Nine months ended**	**Seven months ended**
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
(unaudited)				
Revenues	6,440,100	552,068	15,272,473	1,030,460
Income (loss) before income taxes	247,357	(1,187,566)	(689,400)	(2,234,530)
EBITDA [1]	2,467,361	(347,300)	4,683,257	(853,583)

[1] **EBITDA** is calculated from the statement of 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. EBITDA 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 large year-over-year increase in well servicing revenue is attributable to the significant increase in available equipment and increases in hourly billing rates. EBITDA is strongly positive and is expected to remain so over the balance of 2006. Income (loss) before income taxes include non-cash depreciation charges related to a large build out of new capital equipment and stock based compensation expense.

Other Oilfield Services	**Three months ended**		**Nine months ended**	**Seven months ended**
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
(unaudited)				
Revenues	6,849,005	-	10,583,225	-
Income before income taxes	744,120	-	139,861	-
EBITDA [(1)]	1,618,727	-	2,174,863	-

[(1)] **EBITDA** is calculated from the statement of 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. EBITDA ia 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.

This is only the second quarter for the other oilfield services segment and, accordingly, there are no comparative results. This segment includes the Company’s snubbing, nitrogen, well testing and equipment rental activities, all of which are affected by seasonal issues. The second quarter historically has the lowest activity level for these services within the industry and then activity increases during the third and fourth quarters.

Since acquisition on March 31, 2006, snubbing and nitrogen activity levels exceeded the Company’s internal expectations while well testing and rental services have under-performed against those forecasts. Overall, the Company expects that demand for this segment’s services will continue to be robust during Q4 2006 and Q1 2007 during the typically busier winter months. However this increased demand may be tempered by their exposure to lower activity in the shallow gas areas of the WCSB as a result of reductions in natural gas prices. The Company expects that it will begin to realize the benefits from the synergies and cross marketing of these combined services over the coming quarters.

Liquidity and Capital Resources

	For the Quarter Ended						
	Sep. 30, 2006	Jun. 30, 2006	Mar. 31, 2006	Dec. 31, 2005	Sep. 30, 2005	Jun. 30, 2005	Mar. 31, 2005 [1 month]
Working capital (deficiency)	(23,307,384)	(17,519,991)	(194,130)	2,813,640	6,745,091	8,636,777	(2,884,985)
Working capital (deficiency) - net of bridge loan and restricted cash)	6,120,890	3,074,368	(194,130)	2,813,640	6,745,091	8,636,777	- 2,884,985
Long-term debt	16,937,611	17,182,610	14,040,639	4,950,000	13,595,425	13,845,574	-
Shareholders' equity	45,745,474	45,300,850	45,628,496	18,595,144	5,654,048	5,558,314	194,765
Long-term debt to equty	0.37	0.38	0.31	0.27	2.40	2.49	0.00

Working capital, inclusive of the current portion of long term debt and the $35 million bridge facility, ended the quarter at a negative $23.3 million, an increase of $5.8 million from Q2 2006. Working capital, excluding the bridge facility and restricted cash, was positive $6.1 million, at Q3 2006, an increase of $3.0 million from Q2 2006. At the end of Q3 2006, the Company was advanced an additional $14 million of a $35 million dollar bridge facility and used these short-term borrowings to fund ongoing capital procurement. During Q4 2006 $5.2 million of the cash classified as restricted at Q3 2006 will be expended on new capital equipment.

During Q4 2005, the Company entered into a $13 million term loan facility and by June 30, 2006, it has fully accessed this funding. No additional long-term debt was incurred during Q3 2006.

At March 31, 2006, the Company signed a $21 million bridge loan that was to mature no later than September 29, 2006. Prior to maturity, the Company negotiated with the lender to extend this facility to April 30, 2007 and to expand the facility to $35 million. Additional debt and equity financing will be required to refinance the bridge facility before April 30, 2007. The Company's management and directors are reviewing various financing alternatives.

During February 2006, 2.9 million shares were issued for net proceeds of $4.8 million, which was used for service rig additions. Additional equity of $21.4 million was also issued on closing of the SSI, Precise and Vertical Rental acquisitions. There were no changes to share capital during Q3 2006.

As at September 30, 2006, 41.7 million shares were issued and outstanding, of which 11.6 million (28%) are held by management, senior employees and directors.

Acquisitions

At March 31, 2006, the Company completed three strategic acquisitions for a total cost of $26.4 million. Note 3 of the interim consolidated financial statements outlines the assets and liabilities acquired and the consideration paid. No other acquisitions have been undertaken during Q2 2006 and Q3 2006 and none are being contemplated for Q4 2006.

Outlook

Natural gas prices continued to weaken during Q3 2006 while oil prices remained at reasonable levels, although not the levels seen earlier in the year. During the quarter the Company's activity levels were quite strong but were impacted at times by wet weather, particularly during late September. As the Company enters the latter stages of 2006, it expects to benefit from strong industry fundamentals and expenditure levels by oil and gas producers, which while not at record levels, should remain quite high. Although commodity pricing has been quite choppy, management anticipates strong demand for its oilfield services throughout Q4 2006 and Q1 2007. Despite currently high levels of natural gas storage, natural gas production levels have continued to decline which should contribute to strong longer term fundamentals for the sector. Management believes that oilfield services companies will continue to be constrained by equipment capacity and access to experienced field staff. The Company will continue to prudently advance its capital construction programs in view of the dynamic market conditions to be positioned to respond to these industry dynamics. While management acknowledges that commodity pricing is subject a range of external factors that can materially impact service activity levels, they remain optimistic about resource industry activity levels over the coming quarters.

Although the industry is facing challenges related to lower shallow gas and CBM drilling activity, the Company is somewhat insulated from this trend as 60% of its activity is derived from production, as opposed to completion. Additionally, due to the highly mobile nature of the Company's service rigs and their increased depth capacity, they are not geographically constrained and have been able to take advantage of the trend towards deeper wells in the more northern regions of the WCSB.

The addition of three established oilfield operations with proven management teams and loyal customer bases will continue to provide strong bottom line performance in Q4 2006. Snubbing, nitrogen, well testing and equipment rental operate closely with the Company's well service division and should provide a broad based growth platform to the Company during the balance of 2006. These complimentary services provide significant cross-selling opportunities to an expanded customer base.

The Company's strategy over the next few quarters will be to focus on operational and administrative integration. Currently many of the administrative functions are being centralized and all of the operations are expected to be on one operating platform by the end of the year.

The Company plans to establish a new location in Whitecourt, Alberta during Q1 2007. Initially this location will focus on nitrogen delivery but over the following quarters management expects to expand the capabilities of this location to include the full service line.

Central Alberta is strategically positioned with a fleet of new state-of-the-art equipment, operated by an employee team with experience and technical expertise. The Company provides a range of synergistic services that are in demand by a broad range of resource companies operating in the Western Canadian sedimentary basin.

Risk Management

Business risks: 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 plans to mitigate these risks by remaining responsive to changes in industry dynamics. The Company has a comprehensive insurance policy to help safeguard its assets, operations and employees. This will be reviewed annually and revised as changes in circumstances warrant.

Credit risks: The Company currently transacts with a small number of oil and gas exploration companies and is exposed to the associated credit risk. Management periodically assesses the credit worthiness of these customers and actively monitors all outstanding balances. Management views the credit risk of its accounts receivables as normal for its industry.

Financing risk: The ability of the Company to complete its budgeted capital acquisition program and meet its payment obligations as they become due will be dependent on its ability to secure sufficient funds through additional debt and equity financing, and to generate positive cash flow from operations.

Supplier Risk: The Company has chosen to use a sole-source supplier for the majority of its well service equipment and maintenance programs. While this arrangement provides certain market advantages, it also exposes the Company to potential short-term vulnerability if this supplier experiences unusual production disruptions or labour disputes.

Seasonal and weather risk: Seasonal factors and unexpected weather patterns may lead to reduced oil and gas exploration activity and corresponding declines in the demand for the Company's services during various times of the year.

Critical Accounting Policies and Estimates

The preparation of the financial statements require that certain estimates and judgments be made with regard to the reported amount of revenue and expenses and the carrying values of assets and liabilities. The Company's accounting policies are fully described in note 2 to the annual financial statements.

Subsequent Event

Subsequent to the end of the quarter, SSI Special Services Inc. ("SSI"), a wholly-owned subsidiary of the Company, was served with a summons under the Occupational Health & Safety Act alleging that SSI failed to ensure the safety of certain employees with respect to an incident in 2004. The Company has determined that the amount of damages, if any, and the potential outcome of this action is indeterminable at this time. The Company intends to vigorously defend all charges. Furthermore, pursuant to the terms of the SSI acquisition agreement, the Company is fully indemnified for all damages, if any, and costs related to this contingent liability.