CWC
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 May 26, 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 thoughout 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;
- Whether the expected decrease in rates will be offset by decreases in labour and fuel costs, insulating the margin for the work performed in 2009;
- Ability of capital expenditures to be funded through existing debt facilities and 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 an d 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, Grande Prairie and Whitecourt, providing well services to oil and gas exploration and development companies operating in Western Canada.

The Company commenced 2009 with 41 service rigs, eight (8) snubbing units, eight (8) coil tubing units, 14 nitrogen units and 12 testing packages. Delays resulted in the capital build program, originally anticipated to be completed prior to the end of 2008, to be completed throughout 2009. During the first quarter of 2009, three (3) service rigs were delivered under the build program. While management is committed to completion of the build program and maintaining a fleet of current equipment, as a result of the current economic downturn, two (2) of the larger double units originally set to arrive in the second quarter have been postponed until conditions improve. The revised delivery date of this equipment is late in the third quarter or early in the fourth. Management continues to work closely with key suppliers under the build program to ensure that the units arrive when conditions improve.

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:

	2009	2008				2007			
UNITS OPERATING AT END OF PERIOD	MARCH 31	DEC. 31	SEPT. 30	JUNE 30	MARCH 31	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
Service rigs	44	41	41	41	37	24	21	19	18
Coil units	8	8	8	8	8	8	8	8	8
Snubbing units	8	8	8	7	7	7	7	7	7
Nitrogen tankers & pumpers	14	14	14	14	14	14	14	13	13
Pressure tanks	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 had anticipated 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 on these units. Once economic conditions improve, utilizations return to normal levels and cash flows permit, the rework will be rescheduled.

THREE MONTHS ENDED MARCH 31	2009	2008 *(Restated)*
Revenues	$ 19,036,614	$ 24,585,337
Operating costs	12,969,545	14,790,340
Gross profit	6,067,069	9,794,997
Gross profit %	31.9%	39.8%
General and administrative expenses	3,074,609	2,731,840
EBITDAS [1]	2,992,460	7,063,157
EBITDAS [1] per share:		
Basic and diluted	0.11	0.25
Stock based compensation	254,752	183,804
Interest	1,364,496	1,323,355
Depreciation and amortization	2,798,955	3,493,166
Net income (loss) before tax	(1,425,743)	(2,062,832)
Cash flow (deficiency) from operating activities	(1,179,615)	(6,667,541)
Less: Change in non-cash working capital	(3,351,073)	(12,823,276)
Funds from operations [2]	2,171,458	6,155,735
Funds from operations per share [2]:		
Basic and diluted	$ 0.08	$ 0.22
Income (Loss) per share:		
Basic and diluted	$ (0.05)	$ 0.06
Purchase of property, plant and equipment	$ 6,929,429	$ 15,542,589

(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 first quarter of 2009 were $19.0 million, a 22.6% decrease from the first quarter of 2008. The decrease was directly attributable to decreased utilization rates as a result of the current economic downturn, particularly within the Well Servicing Segment. Of the $5.5 million year over year decrease, $4.2 million or 76.4% is attributable to decreases in the Well Servicing Segment and $1.3 million or 23.6% is attributable to decreases in the Other Oilfield Services Segment. The Company's revenues correspond directly with utilization rates of the fleet. If utilization rates decrease or increase, revenues change at a corresponding rate. Although the Company is currently experiencing below-average utilization rates as a result of the current economic downturn, the utilization rates experienced over this period continue to exceed those of its peers in the industry. Throughout the remainder of 2009, the Company will continue to focus marketing efforts on multi-service arrangements to increase utilization rates in both segments.

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 first 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. As a result, margins will remain depressed; however, the decrease in rates will be partially offset by an anticipated corresponding decrease in costs as the downturn progresses.

General and administrative expenses as detailed in the table shown below, increased year over year by $0.4 million. The increase in wages and benefits of $0.3 million 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 an additional sales person for Grande Prairie, a field safety manager, and an addition to the sales team in Calgary.

THREE MONTHS ENDED MARCH 31	2009	2008
Wages and benefits	$ 1,836,873	$ 1,542,599
Bad debts	145,937	20,000
Office	285,610	150,929
Facility	458,879	348,475
Professional fees	120,104	222,762
Other administration	227,206	447,075
	$ 3,074,609	$ 2,731,840
General and administrative costs as a % of revenues	16.2%	11.1%

Bad debts of $145,937 in the first 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 quarter.

The decrease in professional fees is a result of the acquisition which was completed in the first quarter of 2008 resulting in higher than normal legal and accounting fees.

Other administration fees decreased as a result of lower fuel costs for field supervisors as a result of lower fuel costs and less driving required due to lower activity, lower safety supplies and expenses, and other cost savings as management has been making a concerted effort to reduce all discretional expenditures throughout the downturn.

Stock based compensation increased year over year by $70,948. 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 increase in interest year over year is a reflection of the lower interest rates; in the first quarter of 2008, $52.7 million was outstanding on the term debt facility, in the first quarter of 2009, the amount outstanding under this facility is $60.0 million, however, the corresponding interest has decreased by $0.8 million.

THREE MONTHS ENDED MARCH 31	2009	2008 *(Restated)*
Interest on debt	$ 830,760	$ 907,630
Interest on income	(6,512)	(16,338)
Accretion on finance charges	299,545	221,038
Accretion on warrants	240,702	211,024
	$ 1,364,496	$ 1,323,355
Interest and accretion costs as a % of debt	2.3%	2.7%

Depreciation decreased by $0.7 million year over year, as a result of 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 $1.2 million as a result of a $2.2 million increase in funds from operations offset by $3.4 million decrease in non-cash working capital. The ($3.4) million change in non-cash working capital is a result of a ($3.6) million change in accounts receivable, inventory and accounts payable and accrued liabilities; partially offset by a $0.2 decrease in prepaid expenses and shareholder loans.

Capital expenditures for the first quarter of 2009 consist mainly of $6.1 million relating to the capital build program initiated in 2008 which resulted in three (3) additional service rig units and related support equipment. In the prior year, capital expenditures of $15.5 million consisted mainly of $11.3 million for the acquisition of the assets of Wellco Energy Services Partnership ("Wellco").

Quarterly Review

(In 000's, except per share data)	2009	2008				2007			
THREE MONTHS ENDING	Q1	Q4	Q3 (Restated)	Q2 (Restated)	Q1 (Restated)	Q4 (Restated)	Q3 (Restated)	Q2 (Restated)	Q1 (Restated)
Revenues									
Well Servicing	$12,979	$12,789	$16,732	$ 9,165	$17,206	$ 8,855	$ 7,270	$ 3,968	$10,137
Other Oilfield Services	$ 6,058	$ 5,658	$ 6,290	$ 3,591	$ 7,379	$ 3,719	$ 4,643	$1,998	$ 6,761
	$19,037	$18,447	$23,022	$12,756	$24,585	$12,574	$11,913	$ 5,966	$16,898
Net income (loss)	(1,240)	(1,938)	901	(2,769)	1,748	(134)	272	(3,744)	(454)
EPS basic and diluted	(0.05)	(0.07)	0.03	(0.10)	0.06	(0.01)	0.01	(0.13)	(0.04)
Weighted average Class A common shares	20,503	20,810	21,451	21,502	21,532	22,533	22,663	14,427	10,468
Weighted average Class B common shares	6,701	6,604	6,373	6,373	6,343	5,748	5,654	6,772	–
Total weighted average common shares	27,204	27,414	27,824	27,875	27,875	28,281	28,317	21,199	10,468
Total assets	146,412	144,194	144,407	134,120	140,868	118,465	110,762	107,107	106,675
Debt	60,298	55,419	52,070	45,615	49,172	29,242	20,138	15,239	57,852
Purchase of property, plant and equipment	$ 6,929	$ 5,454	$ 6,818	$4,358	$15,543	$12,154	$5,551	$ 6,770	$ 12,577

Revenues for the first quarter were $19.0 million, a year over year decrease of $5.5 million or 22.6%. The majority of the decrease relates to the Well Servicing Segment where reduced utilizations decreased revenues by $4.2 million year over year. Reduced utilization rates within the Other Oilfield Services Segment decreased revenues $1.3 million year over year. Utilization rates in 2008 were well above industry average and while current utilization rates are lower than those seen in the prior year; they continue to perform above that of competitors in the industry. Accordingly, utilization rates for both the Well Servicing and Other Oilfield Services Segments were down year over year by 21% and 7% respectively.

Net income (loss) was lower in the first quarter as a result of lower than expected utilization rates and one time charges for bad debts. The first quarter ended with a net loss of ($1.2 million), ($2.9 million) lower than the first quarter of 2008 and $0.7 million higher than the fourth quarter of 2008.

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

Term debt rose by $4.9 million from the fourth quarter of 2008 and $11.1 million from the first 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 first quarter of 2009 totalled $6.9 million; the remaining $2.0 million in expenditures was funded from cash flows from operations.

Well Servicing Segment

THREE MONTHS ENDED MARCH 31	2009	2008
WELL SERVICING		
Revenues	$ 12,978,688	$ 17,206,513
Income before taxes	1,031,143	2,752,040
Depreciation and amortization	1,952,896	2,689,917
EBITDAS (1)	2,984,039	5,441,957

(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 first quarter of 2009 were $13.0 million, a decrease of $4.2 million year over year. The reduction in revenues is consistent with the 21% year over year decrease in utilization consistent with the downturn currently being experienced in the industry.

Gross profit expressed as a percentage of revenues was 33% for the first three months of 2009, versus 39.4% in 2008, the decline is a result of decreased utilization and downward pressure on rates charged to the customers.

Income before taxes of $1.0 million is $1.8 million lower than the first 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.

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 $2.4 million year over year largely due to the decrease in rates charged and the decline in utilizations seen in the quarter.

Other Oilfield Services Segment

THREE MONTHS ENDED MARCH 31	2009	2008
OTHER OILFIELD SERVICES		
Revenues	$ 6,057,926	$ 7,378,824
Income before taxes	557,018	1,626,522
Depreciation and amortization	605,120	758,988
EBITDAS (1)	1,162,138	2,385,510

(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 first quarter were $6.1 million, a decrease of $1.3 million. The decrease in revenues is attributable to utilization rates for this segment decreasing by 7% to 46% in the first quarter of 2009 from 53% in the first quarter of 2008.

Gross profit expressed as a percentage of revenues was 29% for the first quarter, versus 41% in 2008, a decrease of 12% on a 7% decrease in utilizations. 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 before taxes of $0.6 million is $1.0 million lower than the prior year, as a result of the decreased utilization rates for this segment, lower rates charged to customers compounded by the effect of having to cover the fixed salary costs remaining in this division.

Depreciation decreased by $0.2 million year over year, 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 change in utilization rates.

EBITDAS decreased by $1.2 million year over year 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 QUARTER ENDED	MARCH 31	DECEMBER 31	SEPTEMBER 30 *(Restated)*	JUNE 30 *(Restated)*	MARCH 31 *(Restated)*
Working capital of net of term debt	$ 9,747,219	$12,238,602	$12,742,370	$ 9,354,114	$16,968,484
Working capital (deficiency)	(48,454,896)	12,238,602	12,762,370	9,374,114	16,988,484
Working capital (deficiency) – net of restricted cash	(48,454,896)	12,238,602	12,742,370	9,354,114	16,968,484
Debt	60,298,124	55,419,098	52,069,935	45,615,061	49,172,360
Shareholders' equity	77,864,744	78,878,772	80,777,345	80,116,784	82,690,368
Debt to equity	0.77	0.70	0.64	0.57	0.59

	2007			
FOR THE QUARTER ENDED	DECEMBER 31 *(Restated)*	SEPTEMBER 30 *(Restated)*	JUNE 30 *(Restated)*	MARCH 31 *(Restated)*
Working capital of net of term debt	$ 6,472,749	$ 9,123,833	$ 6,957,666	$ 8,278,451
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 first quarter of 2009, working capital was a deficiency of $48.5 million, a decrease of $60.7 million from the fourth quarter of 2008. 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 $9.7 million as at March 31, 2009.

The increase in debt of $4.9 million from the fourth quarter is largely a result of $2.3 million drawn from term debt to fund expansion of the fleet and $2.1 million drawn from the operating line available to the Company to fund operating expenditures.

Shareholders' equity is $77.9 million at March 31, 2009 a reduction of $1.0 million from the fourth quarter of 2008. The reduction in equity is a combined result of share repurchases reducing share capital outstanding and the loss incurred in the first quarter of 2009.

As at March 31, 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 0.77 at March 31, 2009, 0.18 higher than as at March 31, 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 $60 million available to fund growth, which is due in January, 2010. All of the funds available under this facility have been drawn. It is the Company's intention to refinance the full amount of the debt prior to its due date as it is unlikely that funds from operations will be sufficient to repay the amount outstanding prior to its due date. Should the company be unable to find suitable refinancing prior to the due date, the Company will evaluate the possible sale of certain assets sufficient to reduce the amount of the debt outstanding to an amount that would make refinancing possible.

As at March 31, 2009 the Company is committed to additional payments totalling $4.6 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 March 31, 2009. The Company has been able to negotiate a postponement of two units and the related support equipment under the build program, totalling $3.4 million until later in the third or fourth quarters of 2009. No additional capital build programs or acquisitions are being considered for 2009.

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 March 31, 2009, $2.1 million is outstanding on this line and a maximum of $9.2 million is available after marginalizing for accounts receivable.

Changes in cash are outlined as follows:

THREE MONTHS ENDED MARCH 31	2009	2008 *(Restated)*
Cash flow (deficiency) from operations	$ (1,179,615)	$ (6,667,541)
Less: Change in non-cash working capital	(3,351,073)	(12,823,276)
Funds from operations	2,171,458	6,155,735
Cash invested in acquisition of property and equipment	(6,929,429)	(15,542,589)
Proceeds on sale of assets	27,000	14,095
Increase in restricted cash	–	395,000
Issue (repurchase) of common shares	(29,037)	(27,027)
Transaction costs	–	(306)
Issuance of debt	4,371,509	19,958,334
Decrease in cash	$ (3,739,572)	$ (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 March 31, 2009, the Company is committed for an estimated $4.6 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. This amount is anticipated to be refinanced as it is estimated that under the current economic downturn there will not be sufficient funds from operations to fund the repayment.

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 outlook for 2009 remains uncertain, primarily as a result of the decrease in oil and gas commodity prices from 2008 levels combined with an inability for customers to access credit markets. These factors continue to have a negative impact on the oilfield service industry as producers continue to decrease capital and operating budgets directly impacts levels of oilfield service activities.

The Company continues to focus on marketing and education of how its integrated "full suite" of services can be utilized by customers to decrease the cost of workovers on an existing wells or completion of new wells, while maintaining margins through efficient use of resources including people and equipment. The benefit is obtained by more efficient coordination of the services and the cross training of employees to be able to perform more than on a single service.

In its rig build program, two service rigs currently being manufactured will be completed by the end of the second quarter and the Company has successfully postponed the completion of the final two planned service rigs until activity increases and the demand for the service industry rebounds.

The Company will continue to focus on the challenge of negotiating its term credit facility which is complete in January, 2010. The Company acknowledges that this is a challenge, however, management believes the Company has the ability to replace or negotiate this facility prior to the due date.

On March 19, 2009, the Company advised that it received an unsolicited proposal from Tricap Partners II LP ("Tricap") to acquire all of the outstanding Class A Voting Common Shares of the Company, other than those already held by Tricap or its affiliates, at a proposed price of $0.45 per share. At that time, the Company's Board of Directors advised that the Board would evaluate the proposal and establish a Special Committee of independent directors to investigate, review, assess and evaluate the proposal with the assistance of independent legal and financial advisors. On April 13, 2009, the Company advised that the Special Committee had engaged financial and legal advisors with respect to the Tricap proposal. To date, there have been no further developments reported on this matter; however, the Board contemplates that the proposal will be evaluated in the short term.

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 $60 million due on January 26, 2010. As at March 31, 2009, the full amount of $60 million was drawn. Recent market events, including disruptions in credit markets and the deterioration of global economic conditions have resulted in significant declines in commodity prices. This has impacted the Company through lower than anticipated utilizations, which has 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 March 31, 2009, $2.1 million is outstanding on the line. The Company anticipates that it will be in breach of covenants on both facilities throughout most of 2009. As a result, a waiver was obtained from the lender of the term facility until June, 2009. The lender of the operating line of credit provided a waiver for the period ended March 31, 2009, and is working with the Company to revise the covenants until November of 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. Further declines in commodity prices could adversely affect management's ability to refinance or re-negotiate the facilities and settle their obligations.

These financial statements have been prepared on the assumption that the Company will be able to renew or refinance its term debt facilities. They do not reflect any adjustments that may be necessary to assets and liabilities should the Company not be successful in refinancing or renewing its term debt or the lender exercises its rights under its credit facilities.

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. 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. During the first quarter, management assessed whether the projections used for the impairment test at year end remained valid. It was determined that while the activity levels used in the test for impairment at year end were slightly higher than actual results for the first quarter, the decline was not pervasive enough to result in cash flows declining below the carrying value. From this assessment, management determined that a further test for impairment was not required at this time. 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 assess the credit worthiness of all its customers and views the credit risk on its accounts receivable as normal for its industry.

During the first 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 $145,937 was provided for in the first three months of 2009.

It is anticipated that the current economic downturn will continue throughout most of 2009, 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 $60 million maturing on January 25, 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 pay the facility off. 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 March 31, 2009, the balance of trade accounts receivable in excess of 90 days was $1,057,187, representing approximately 7% of the trade accounts receivable balance, of this amount $522,679 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. During the first three months of 2009, a one percent change in the prime lending rate would have impacted net income by $147,638.

Supplier Risk: In the past, the Company had a large portion of its service rig 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 has began 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, 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 was 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 March 31, 2009.

With the Canadian Accounting Standards Board's recent announcement that January 1, 2011 is 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 Company commenced the conversion in February, 2009 and completion of the conversion plan is expected in November, 2009.

During the first three months of 2009, the Company evaluated the effects of IFRS on its treatment of revenues and expenses and determined that no material changes would result as a result of the transition from Canadian GAAP to IFRS in these areas.