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 August 28, 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 Development

Central Alberta Well Services Corp. 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") 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 "Company"). 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 June 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 and sourced through one primary equipment manufacturer is a key competitive strength. Identical and standardized equipment 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 ageing 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.

The oil and gas service industry is operating at record activity levels and is constrained by shortages of skilled trade people. To date, the Company has been successful in recruiting experienced crews but realizes that 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**					
	Jun. 30, 2006	Mar. 31, 2006	Dec. 31, 2005	Sep. 30, 2005	Jun. 30, 2005	Mar. 31, 2005 [1 month]
Total assets	$ 91,475,091	$ 81,371,149	$ 27,173,800	$ 20,338,246	$ 19,785,195	$ 4,122,583
Total liabilities	46,174,241	35,742,653	8,578,656	14,684,198	14,226,881	3,927,818
Long term debt	17,182,610	14,040,639	4,950,000	13,595,425	13,845,574	-
Future income tax	1,674,000	3,913,000	-	-	-	-
Shareholders' equity	45,300,850	45,628,496	18,595,144	5,654,048	5,558,314	194,765
Long term debt to equity	$ 0.38	$ 0.31	$ 0.27	$ 2.40	$ 2.49	$ -
Shares outstanding						
At end of period	41,718,232	41,716,565	27,080,138	7,235,138	3,775,008	1,275,000
Weighted average	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 resulted from the addition 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. Long term debt to equity increased during the quarter as the available term debt facilities were fully accessed to partially finance the capital additions during the quarter.

The future tax liability arose on differences between book values and tax values of capital assets. The liability decreased to $1.7 million at Q2 2006 from $3.9 million at Q1 2006, primarily due to the recognition of tax losses and a decrease in the income tax rate during Q2 2006.

During Q1 2006, $21.4 million of equity was issued as consideration for the 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, no additional equity was issued during Q2 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, 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 Well Services and all transactions have been disclosed as related party transactions. The pricing for all equipment purchased under this agreement does not exceed their fair market value.

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

Selected Financial Information

	For the Quarter Ended					
	Jun. 30, 2006	Mar. 31, 2006	Dec. 31, 2005	Sep. 30, 2005	Jun. 30, 2005	Mar. 31, 2005 [1 month]
Revenues	$ 7,635,119	$ 4,931,474	$ 1,946,699	$ 552,068	$ 398,237	$ 80,156
Net income (loss)	(761,609)	103,090	(633,742)	(1,187,566)	(938,533)	(108,431)
EPS: basic and diluted	(0.02)	0.00	(0.03)	(0.26)	(0.31)	(0.09)
Weighted average common shares	41,718,122	28,457,574	20,282,878	4,553,474	3,005,775	1,275,000
Total Assets	91,475,091	81,371,149	27,173,800	20,338,246	19,785,195	4,122,583
Long Term Debt	17,182,610	14,040,639	4,950,000	13,595,425	13,845,574	-
Purchase of property and equipment	$ 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	12	8	4	1	-	-
Coil units	4	3	3	3	2	2
Snubbing units	5	5	-	-	-	-
Nitrogen tankers & pumpers	10	8	-	-	-	-
Pressure tanks	9	9	-	-	-	-

Q2 2006 revenues increased by $2.7 million or 55% from Q1 2006, reflecting the expanded equipment fleet, seasonal weather patterns and the first full quarter of consolidated operating results. The Company generated a net loss of $0.8 million resulting from lower activity during the traditionally slower second quarter due to spring break up, road bans and wet weather. Training and repairs and maintenance costs are also proportionately higher during Q2 2006, as much of this activity is done during this time when equipment and staff availability is at its peak. Included in this result is non-cash stock based compensation expense of $0.4 million arising from the stock option plan. The Q2 results also include a number of costs related to setting up the administrative and operational infrastructures that are required to manage the Company's operations and growth on a go forward basis.

Capital expenditures include assets under construction at the end of each of the quarters presented. These assets are not depreciated until they are available for use. Capital equipment received during Q2 2006 consisted primarily of the purchase of four service rig packages, one coil tubing unit and two nitrogen pumper trucks.

Q2 2006 Quarterly Review

Consolidated Highlights	Three months ended		Six months ended	Four months ended
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
(unaudited)				
Revenues	$ 7,635,119	$ 398,237	$ 12,566,593	$ 478,393
Operating costs	4,719,546	336,489	7,409,291	422,631
	2,915,573	61,748	5,157,302	55,762
	38.2%	15.5%	41.0%	11.7%
General and administrative expenses	1,680,407	475,925	2,385,269	562,045
EBITDA [1]	1,235,166	(414,177)	2,772,033	(506,283)
EBITDA per share [1]				
Basic	0.03	(0.14)	0.08	(0.20)
Diluted	0.03	(0.14)	0.08	(0.20)
Stock based compensation	431,915	-	1,004,135	-
Interest	635,393	262,148	754,989	260,692
Depreciation and amortization	1,811,964	262,208	2,553,925	279,989
Net Loss	(761,609)	(938,533)	(658,519)	(1,046,964)
Funds from operations [2]	780,049	(680,693)	2,193,240	(772,799)
Funds from operations per share [2]				
Basic	0.02	(0.23)	0.06	(0.30)
Diluted	0.02	(0.23)	0.06	(0.30)
Purchase of property and equipment	$ 20,075,689	$ 6,585,654	$ 29,337,959	$ 6,879,564

[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.

[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 financial information provided includes the consolidated accounts of the Company as at June 30, 2006 and the results of operations for the three and six months then ended. The comparative financial results are for the three month period ended June 30, 2005 and the four month period from the date of incorporation to June 30, 2005.

Consolidated revenues increased by $2.7 million or 55 % in Q2 2006 from Q1 2006 as additional equipment was added to the operation. The consolidated results also included the first quarter of 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 second quarter as the Company finished the quarter with twelve service rigs and five coil tubing units. The average billing rates for the service rigs were 5% lower on a quarter over quarter basis and the coil tubing rates finished about 6% lower on average reflecting a slightly different service mix and lower activity levels due to road bans and wet lease sites.

Operating costs include fixed and variable components and averaged 62% of revenues during Q2 2006 as the service mix changed with the addition of subsidiary operations and reflecting typically lower second quarter activity levels. Operating costs were 55% of revenues for Q1 2006. Consolidated gross profit percentages were 38% for Q2 2006 and averaged 41% for the six months ended June 30, 2006. Management expects 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 Q2 2006 averaged 22% of sales and are clearly above the levels warranted for the amount of quarterly activity. This expenditure category includes the combined overhead expenses of the Company and its three wholly owned subsidiaries, which accounted for the majority of the increase. Management estimates that approximately $0.3 million of the administration costs for Q2 2006 are of a non-recurring nature. Many of the remaining costs are fixed and will decrease as a percentage of sales as activity increases during the latter quarters. During the third and fourth quarters the Company will also be integrating various subsidiary administrative functions into its head office.

General and administrative	**Three months ended**		**Six months ended**	**Four months ended**
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
(unaudited)				
Wages and benefits	$ 630,732	$ 171,361	$ 907,926	$ 193,849
Office	182,976	40,727	323,543	45,919
Facility	217,778	57,484	308,838	61,621
Professional fees	339,076	147,885	431,320	189,438
Other administration	309,846	58,468	413,643	71,218
	$ 1,680,407	$ 475,925	$ 2,385,269	$ 562,045

Wages and benefits include the additions of new employees to the management and operational teams. These positions are integral to the growth plans of the Company and salary costs are expected to increase over the coming quarters as the Company continues its planned growth. Facility costs include the increased rental and utility charges on the new head office and well service location, as well as the incremental lease obligations of Precise, Vertical and SSI. During Q2, the Precise and Vertical operations were moved to the primary Red Deer location and the incumbent lease was discontinued. Professional fees include a considerable amount of legal fees related to various corporate developments, excluding amounts recorded as acquisition costs and deferred financing fees. 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. The large increase in Q2 2006 reflects the addition of the three subsidiary operations.

Stock based compensation expense decreased to $0.4 million in Q2 2006 from $0.6 million for Q1 2006 as fewer 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 $17.2 million of long term debt and a $21 million short term bridge facility. Long term debt, net of amounts retired, increased by $3.1 million during Q2 2006. The bridge facility increased by $10 million during the same period. No additions are planned to long and short term loan amounts during Q3 2006. The increased interest expense also reflects the debts assumed through the acquisitions.

Capital expenditures for Q2 2006 include four service rigs, two nitrogen pumpers and one coil tubing unit. Production equipment additions will continue throughout 2006 as the Company moves towards critical mass. The Company also moved into a new facility in Red Deer during the Q2 2006, incurring costs for leasehold improvements.

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

	June 30, 2006	December 31, 2005
Purchases of capital equipment	$ 22,186,113	$ 13,235,793
Amounts in accounts payable	$ 153,364	$ 2,246,018

EBITDA generated on a consolidated basis was $1.2 million for the quarter and $2.8 million for the six months ended June 30, 2006 and funds from operations of $0.4 million and $1.9 million for the same periods. Management anticipates continuing to generate increasingly positive EBITDA and funds from operations over the balance of 2006 as activity increases and it realizes the full synergies of its expanded service offering.

Divisional Performance

Well Servicing	**Three months ended**		**Six months ended**	**Four months ended**
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
(unaudited)				
Revenues	3,900,899	398,237	8,832,373	478,393
Losses before income taxes	(949,337)	(938,533)	(846,247)	(1,046,964)
EBITDA [1]	1,180,311	(414,177)	2,717,178	(506,283)

[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.

The large increase in revenue on a year-over-year basis is due 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. Losses before income taxes include non-cash depreciation charges related to a large build out of new capital

equipment and stock based compensation expense of $0.4 million for Q2 2006 and $1.0 million for the six month period ended June 30, 2006.

Other Oilfield Services	**Three months ended**		**Six months ended**	**Four months ended**
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
(unaudited)				
Revenues	3,734,220	-	3,734,220	-
Losses before income taxes	(694,769)	-	(694,769)	-
EBITDA [1]	54,855	-	54,855	-

[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 the first 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 season issues. The second quarter historically has the lowest activity level for these services within the industry.

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. The Company expects that demand for its other oilfield services will increase over the last two quarters as industry activity picks up and it begins to realize the benefits from the synergies and cross marketing of these services.

Liquidity and Capital Resources

	For the Quarter Ended					
	Jun. 30, 2006	Mar. 31, 2006	Dec. 31, 2005	Sep. 30, 2005	Jun. 30, 2005	Mar. 31, 2005
						[1 month]
Working capital (deficiency)	(17,519,991)	(194,130)	2,813,640	6,745,091	8,636,777	(2,884,985)
Long Term Debt	17,182,610	14,040,639	4,950,000	13,595,425	13,845,574	-
Shareholders' Equity	45,300,850	45,628,496	18,595,144	5,654,048	5,558,314	194,765

Working capital, inclusive of the current portion of long term debt and the $21 million bridge facility, ended the quarter at a negative $17.5 million, a reduction of $17.3 million from Q1 2006. Working capital, excluding the bridge facility, was positive $3.5 million. The Company drew down the remaining $10 million of a $21 million dollar bridge facility and used these short-term borrowings to fund ongoing capital procurement. Cash and accounts receivable balances decreased by $7.6 million on a quarter-over-quarter basis.

During Q4 2005, the Company entered into a $13 million term loan facility and by June 30, 2006, it has fully accessed this funding, resulting in an increase in long term debt.

During Q1 2006, the Company signed a $21 million bridge loan that matures no later than September 29, 2006. The Company is currently negotiating with the lender to extend this facility to December 31, 2006. As at June 30, 2006, the Company did not meet the working capital covenant for the bridge facility but had secured a waiver for the breach. The working capital covenant was based upon certain financial forecasts wherein the Company had anticipated completing a brokered private placement prior to June 30, 2006. Due to market conditions this financing was delayed until Q3 2006. As at June 30, 2006, the Company was required to have working capital of $9.5 million as defined by the loan agreement. The actual working capital was $6.3 million pursuant to the same definition. Effective July 31, 2006, the Company was fully compliant with this covenant. Additional debt and equity financing will be required to refinance the bridge facility and to continue the 2006 capital expenditure program. 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 were used for service rig additions. Additional equity of $21.4 million was also issued on closing of the SSI, Precise and Vertical Rental acquisitions. Other than the issuance of a small number of shares pursuant to the Company's stock option plan, there were no changes to share capital during Q2 2006.

As at June 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.

Outlook

Despite a softening of natural gas prices during Q2 2006, oil prices remained buoyant and the Company's activity levels were quite strong but were impacted at times by wet weather, particularly during late May and early June. As the Company enters the second part of 2006, it expects to benefit from strong industry fundamentals and significant expenditure levels by oil and gas producers on exploration and development activities. Management anticipates strong demand for its oilfield services throughout the last two quarters of 2006 and believes that oilfield services companies will be constrained by equipment capacity and access to experienced field staff. The Company will continue to advance its capital construction programs 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 focused on production, as opposed to completion. Additionally, due to the highly mobile nature of the Company's service rigs, they are not geographically constrained and have been able to take advantage of the trend towards deeper wells.

The addition of three established oilfield operations with proven management teams and loyal customer bases will provide strong bottom line performance in Q3 and 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.

Well service equipment utilization levels have met or exceeded management's internal forecasts for the first six months. Based on available market data, management also estimates that the Company's utilization levels have exceeded industry averages for the first two quarters of 2006.

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.

Central Alberta Well Services 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.