Q2 2010

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 and is dated August 25, 2010. The message to shareholders, operations review and financial results for the year ended December 31, 2009, 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, 2009 and 2008 and for the years then ended and the management's discussion and analysis related thereto. This MD&A should be read as supplemental to and in addition to the disclosure provided in such management's discussion and analysis in respect of the year ended December 31, 2009. 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 management's plans and expectations, plans not to incur capital expenditures for expansion of the fleet in 2010 and to focus on efficiencies, the effect of the current economic outlook, plans to continue cost controls and rationalization of processes, anticipated level of revenues in 2010 compared to prior years, effect of commodity prices on utilization rates, plans to continue focus on multi service marketing, expected rates in 2010 compared to 2009, expected activity levels and plans for transition to IFRS, steps to be taken in connection therewith and the timing thereof 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. The Company disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Forward-looking information and statements are included throughout this MD&A, including under the headings "Corporate Development", "Q2 2010 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:

- The success of the multi-service marketing plan and its ability to insulate the Company from increasing credit risk exposure;
- 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;
- 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;
- Expected payments pursuant to contractual obligations;
- The prospective impact of recent or anticipated regulatory changes; and
- Credit risks.

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

CORPORATE DEVELOPMENT

CWC is an oilfield services company which offers a broad range of well services and facilitation of related activities for the production and completion of oil and gas wells 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 Alberta branch offices in Provost, Brooks, Grande Prairie, Whitecourt and a Saskatchewan branch office in Weyburn, providing well services to oil and gas exploration and development companies operating in Western Canada.

The Company's fleet currently consists of 46 service rigs, eight (8) snubbing units, eight (8) coil tubing units, 14 nitrogen units and 12 pressure testing packages.

The Company has been focusing on streamlining processes, controlling expenses and marketing to larger customers in an effort to minimize risk. The Company has now completed the restructuring of its balance sheet with its recently announced three-year term credit facility as described below. The Company will continue to strengthen the balance sheet through 2010 in order to take advantage of strategic opportunities as they arise.

On April 20, 2010, the Company secured term debt refinancing in the amount of $30.0 million. The term debt is for three years with the first year requiring payments of interest only, the second year requiring monthly principal payments of $500,000 per month plus interest and the third year requiring monthly principal payments of $750,000 per month plus interest. The term debt is subject to interest at a fixed rate of 8.045% for the term and is secured with a first charge over fixed assets, a general security agreement over all remaining assets and an assignment of insurance.

On April 20, 2010, the Company also secured an operating facility margined to accounts receivable to a maximum of $10.0 million at an interest rate ranging from bank prime plus 1.25% to bank prime plus 2.0%. The operating line is committed until April 30, 2011. A general security agreement providing security interest against all accounts receivable and a second fixed charge over all other assets has been provided as security for this agreement.

The Company is reliant on its operating line of credit for continued operations. The seasonality of the industry within which it operates requires access to an operating line as costs are incurred immediately in the winter months, but the cash from the revenues generated often does not come in until approximately 60 days later. Credit risk has been reduced as the economic outlook improves and is evidenced by the reduced bad debt expense experienced by the Company for the first six months of 2010 when compared to the first six months of 2009.

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

	2010		2009				2008			
UNITS OPERATING AT END OF PERIOD	**JUNE 30**	**MARCH 31**	DEC. 31	SEPT. 30	JUNE 30	MARCH 31	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
Service rigs	**46**	**46**	46	46	44	44	41	41	41	37
Coil units	**8**	**8**	8	8	8	8	8	8	8	8
Snubbing units	**8**	**8**	8	8	8	8	8	8	7	7
Nitrogen tankers & pumpers	**14**	**14**	14	14	14	14	14	14	14	14
Pressure testing	**12**	**12**	12	12	12	12	12	12	12	12

The Company's commitment to building a modern fleet with leading edge technology continues to stand out in an industry characterized by an ageing equipment infrastructure.

Q2 2010 OVERVIEW

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	2009	**2010**	2009
Revenues	**$ 9,254,238**	$ 6,397,280	**$ 29,376,473**	$ 25,433,894
Operating costs	**6,336,094**	4,940,690	**19,487,757**	17,910,235
Gross profit	**2,918,144**	1,456,590	**9,888,716**	7,523,659
Gross profit %	**31.5%**	22.8%	**33.7%**	29.6%
General and administrative expenses	**2,586,630**	2,945,229	**5,730,335**	6,019,838
EBITDAS [(1)]	**331,514**	(1,488,639)	**4,158,381**	1,503,821
EBITDAS [(1)] per share: Basic and diluted	**0.00**	(0.05)	**0.03**	0.06
Stock based compensation	**332,354**	259,581	**591,430**	514,332
Interest	**699,280**	1,333,035	**1,775,683**	2,697,531
Depreciation and amortization	**2,791,793**	2,472,548	**6,062,676**	5,271,503
Net loss before tax	**(3,491,913)**	(5,553,803)	**(4,271,408)**	(6,979,545)
Cash flows from operating activities	**6,189,940**	4,095,351	**4,255,610**	2,915,735
Less: Change in non-cash working capital	**6,647,025**	6,435,837	**1,780,672**	3,084,763
Funds from operations [(2)]	**(457,085)**	(2,340,486)	**2,474,938**	(169,028)
Funds from operations per share [(2)]:				
Basic and diluted	**$ (0.00)**	$ (0.09)	**$ 0.02**	$ (0.01)
Loss per share: Basic and diluted	**$ (0.02)**	$ (0.19)	**$ (0.02)**	$ (0.24)
Purchase of property, plant and equipment	**$ (107,435)**	$ (1,455,821)	**$ (260,321)**	$ (8,385,250)

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

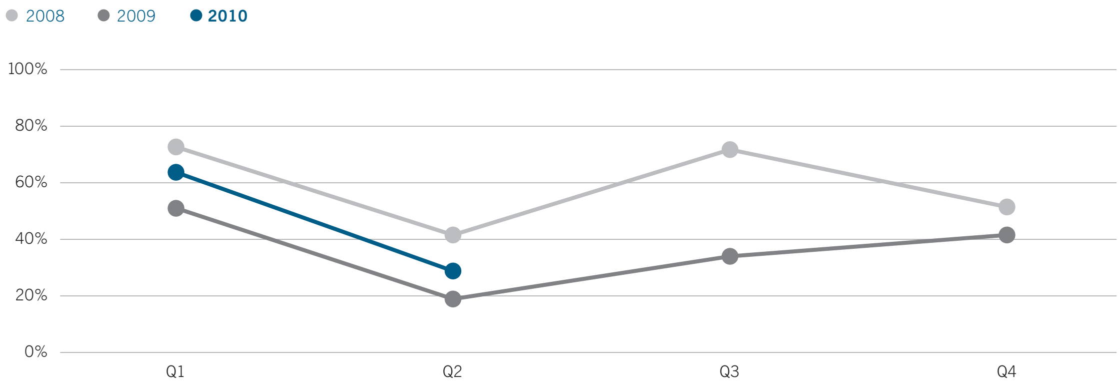
(2) Funds from operations is defined as cash from operating activities before changes in non-cash working capital. Funds from operations and funds from operations per share are measures that provide investors additional information regarding the Company's liquidity and its ability to generate funds to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

Revenues for the second quarter of 2010 were $9.3 million, an increase of $2.8 million, an increase of 44% from the second quarter of 2009. The increase is directly related to increased utilizations on a year over year basis. Of the $2.8 million year over year increase, $2.4 million is attributable to an increase in the Well Servicing Segment and $0.4 million decrease in the Other Oilfield Services Segment. This is consistent with an increase in the Well Servicing Segment's utilization of 10% and an 8% increase 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.

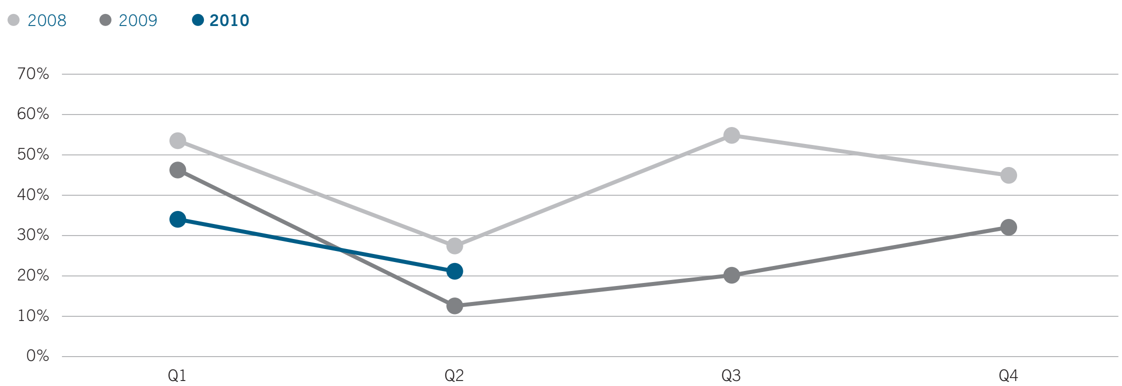
Throughout the remainder of 2010, the Company anticipates that revenues will be higher than those seen in 2009; however, they will not be as high as those seen in 2008 as a result of the depressed commodity prices. The continued depressed utilizations in the Other Oilfield Services Segment are a result of low natural gas prices. The Company will continue to focus on multi-service marketing throughout 2010 and will strive to preserve current rates to ensure that operating cash flows are generated. The small increase in revenues in comparison with increase in utilizations in the Other Oilfield Services Segment indicates rates within this segment have declined on a per ticket basis. Utilization has increased year over year in this segment as a result of offering discounted rates to combat the impact of the depressed natural gas prices. The graphs below depict that as anticipated, 2010 utilization rates are recovering, but not to the levels seen in 2008. They also show the impact of the economic downturn on utilization rates as is depicted by the downward trend beginning in the third quarter of 2008 and continuing until after the third quarter of 2009 when utilization rates began to trend upward again, excluding of course, the expected drop in the second quarter as a result of seasonality.

Gross Profit is mainly impacted by costs of direct labor, costs of running supplies for the fleet and the rates charged for the services provided. In the second quarter of 2010, gross profit as a percentage of revenues increased by 8.7% to 31.5%. This increase is consistent with increased revenues from the Well Services Segment offsetting some of the fixed costs included such as rent expense and utility costs. With 2010 anticipated to be a year of slow recovery, the Company is doubtful that rates will significantly increase above those seen in 2009. Cost management remains critical to maintaining current gross profit percentages.

WELL SERVICING SEGMENT – UTILIZATION



OTHER OILFIELD SERVICES SEGMENT – UTILIZATION



General and administrative expenses as detailed in the table shown below have declined year over year as a result of decreases seen in all categories except facility costs as a result of improved cost controls. Facility expenses increased as a result of additional facilities in Grande Prairie and Weyburn to better position the Company to support its oil producing customers, as well as increases in rent and expenses on the other facilities. The facility in Weyburn was established late in the fourth quarter of 2009 as the Company felt a presence was required there beyond a satellite office. This area is seeing higher utilization rates in the industry than other areas, and the Company is anticipating that an increased presence there will result in higher utilizations of the Company's equipment throughout 2010.

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	2009	**2010**	2009
Wages and benefits	**$ 1,481,474**	$ 1,624,230	**$ 3,503,170**	$ 3,461,103
Bad debts	**(21,583)**	41,951	**(86,596)**	187,888
Office	**172,864**	231,827	**420,211**	517,437
Facility	**469,270**	438,492	**966,111**	897,371
Professional fees	**281,877**	285,290	**432,439**	405,394
Other administration	**202,727**	323,439	**494,999**	550,645
	$ 2,586,630	$ 2,945,229	**$ 5,730,335**	$ 6,019,838
General and administrative costs as a % of revenues	**28.0%**	46.0%	**19.5%**	23.7%

The Company recorded a bad debt recovery in the second quarter of $21,583 as the Company accepted partnership units in exchange for a bad debt that had been provided for in 2009. In order to reduce credit risk exposure, the Company has continued to negotiate contracts with larger producers, who are less likely to run into financial difficulty, even in an economic downturn. The Company has provided for approximately 47% of its accounts receivable in excess of 90 days. Currently, the Company is confident the remaining amounts not provided for will be collected and the provision is an accurate assessment of the maximum credit risk exposure to the Company.

Office expenses decreased year over year, mainly as a result of a no claims bonus receivable in the quarter from the Company's insurance provider totaling $65,000.

Professional fees are consistent year over year for the three months ended. Professional fees have increased by $27,000 year over year for the six months ended June 30, 2010 as a result of increased computer consulting fees incurred as a result of an increasingly complex systems requirement to manage multiple facilities in multiple jurisdictions.

Other administration costs have declined year over year both on a three and six month basis. Other administration costs include travel, meals and entertainment, advertising and promotion, training and fuel and vehicle operating costs incurred by division managers. Management has focused on reducing these incidental expenditures throughout the downturn.

Stock based compensation has increased year over year as a result of the issuance in the quarter. During the quarter 5,716,000 options were issued to directors, senior management and key employees.

Interest expense is pursuant to the Company's long-term facility as well as the short-term revolving operating facility and accretion expenses relating to the transaction costs associated with the new financing. Interest was calculated on a floating basis above CIBC prime rate dependent on the amount of the facility drawn upon. Year over year, interest has decreased as a result of accretion charges ending in January of 2010 when the debt expired and the reduction in debt.

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	2009	**2010**	2009
Interest on debt	**$ 678,824**	$ 780,512	**$ 1,566,499**	$ 1,611,274
Interest income	**(4,617)**	(956)	**(10,880)**	(7,468)
Accretion on finance charges	**25,073**	306,165	**127,182**	605,710
Accretion on warrants	**–**	247,313	**92,882**	488,015
	$ 699,280	$ 1,333,035	**$ 1,775,683**	$ 2,697,531

Depreciation for the three and six months ended June 30, 2010 increased year over year by $0.3 million and $0.8 million respectively, consistent with increased utilization rates in the service rig division resulting in more amortization being incurred in this division.

Cash flows from operating activities for the three and six months ended June 30, 2010 increased year over year by $2.1 million and $1.3 million respectively. The majority of the increase in cash flows from operating activities is a result of the revenue generated in the first quarter being collected throughout the second quarter.

Capital expenditures for the second quarter of 2010 were $0.1 million; most of which related to a new purchasing and inventory control software program. No significant capital expenditures are planned throughout 2010 as the Company focuses improving its cash flows and working capital position.

2010 QUARTERLY REVIEW

(In 000's, except per share data)	2010		2009				2008			
THREE MONTHS ENDING	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3 *(Restated)*	Q2 *(Restated)*	Q1 *(Restated)*
Revenues										
Well Servicing	**$ 6,891**	**$ 15,938**	$ 10,370	$ 7,794	$ 4,467	$ 12,979	$ 12,789	$ 16,732	$ 9,165	$ 17,206
Other Oilfield Services	**$ 2,363**	**$ 4,184**	$ 3,294	$ 2,465	$ 1,930	$ 6,058	$ 5,658	$ 6,290	$ 3,591	$ 7,379
	$ 9,254	**$ 20,122**	$ 13,664	$ 10,259	$ 6,397	$ 19,037	$ 18,447	$ 23,022	$ 12,756	$ 24,585
Net income (loss)	**(3,492)**	**(779)**	(3,814)	(5,235)	(5,228)	(1,240)	(1,938)	901	(2,769)	1,748
EPS: Basic and diluted	**(0.02)**	**(0.00)**	(0.06)	(0.19)	(0.18)	(0.05)	(0.07)	0.03	(0.10)	0.06
Weighted average Common shares*	**159,174**	**159,184**	61,621	27,187						
Weighted average Class A common shares	**–**	**–**	–	–	20,234	20,503	20,810	21,451	21,502	21,532
Weighted average Class B common shares	**–**	**–**	–	–	6,953	6,701	6,604	6,373	6,373	6,343
Total weighted average common shares	**–**	**–**	–	–	27,187	27,204	27,414	27,824	27,875	27,875
Total assets	**126,369**	**137,192**	134,481	133,999	135,998	146,412	144,194	144,407	134,120	140,868
Debt	**29,697**	**35,810**	32,317	59,182	58,647	60,298	55,419	52,070	45,615	49,172
Purchase of property, plant and equipment	**$ 107**	**$ 153**	$ 13,628	$ 5,017	$ 1,456	$ 6,929	$ 5,454	$ 6,818	$ 4,358	$ 15,543

* In August of 2009 shareholders voted to convert all Class B shares to Class A and eliminate the A/B share structure. As a result, for the third quarter of 2009 forward, only Common shares are shown.

Revenues for the second quarter were $9.3 million, a $10.8 million decrease from the first quarter of 2010 and a year over year increase of $2.9 million. The decrease from the first quarter was expected and is consistent with the seasonality of the oil field services industry. Year over year revenues increased in both the Well Servicing and Other Oilfield Segments by $2.4 and $0.4 million respectively. Despite economic conditions improving in 2010 depressed natural gas prices have resulted in continued lower revenues in the Other Oilfield Services Segment. The increase in the Well Servicing Segment is attributable to increased activity seen in recent months. The Well Servicing Segment is not as affected by natural gas prices and as a result this segment benefitted greatly from the improvement in the economy.

Net loss in the second quarter reflects the lower utilization levels which result in less revenues and gross profit available to cover fixed costs. The net loss has increased from the first quarter of 2010 by ($2.7) million as a result of the seasonality of the business. Year over year, the net loss decreased by $1.7 million as a result of lower interest costs as a result of less debt being carried and cost savings initiatives put in place by the Company to minimize the impact of the downturn. Utilizations declined as anticipated in both divisions for the second quarter of 2010 to 29% for the Well Servicing Segment and 31% Other Oilfield Services Segment from 63% and 34% respectively in the first quarter of 2010. Year over year the Well Servicing and Other Oilfield Services Segments increased by 10% and 8% respectively. The small increase in revenues in comparison the year over year increase in utilization in the Other Oilfield Services Segment is attributed to declining rates as natural gas prices remain depressed and competition for work increases.

Weighted average common shares decreased slightly from the first quarter of 2010 as shares were cancelled in relation to a shareholder loan that was forgiven on termination of an employee with the Company. The increase in shares year over year is a direct result of the shares issued under the rights offering which closed in December of 2009 and resulted in an additional 131,996,703 common shares being issued. The rights offering provided funds of $33 million; $29.1 million of which was used to pay down the Company's term debt and repay the default interest payable which had been accruing since August of 2009. $3.5 million of the funds eliminated the Company's operating line outstanding as well as closing costs and the remaining $0.4 million was provided to the Company's majority shareholder for backstopping the rights offering. The reduction in debt improved the Company's balance sheet and enabled refinancing of the debt which was due in January of 2010 and extended to March of 2010. As part of the refinancing the Company's financial covenants were amended to reflect ratios likely for the Company to attain given the current outlook. The Company was in compliance with the financial covenants for the second quarter of 2010 and benefitted from interest savings as a result of no longer incurring penalty interest and a lower debt balance outstanding.

Debt decreased by $6.1 million from the first quarter of 2010 and 28.9 million year over year. The decrease from the first quarter is consistent with a reduction in the operating line and is a direct result of the lower activity typically seen in the second quarter resulting in fewer variable operating costs being incurred and the collection of revenues generated in the first quarter. The preservation of cash and operating line availability in the second quarter is critical as it will be required to fund operations as activity increases later in the quarter and heading into the peak third and fourth quarters. The Well Servicing Segment especially has a significant portion of costs related to hourly labour and as a result as activity picks up they incur the costs immediately but will not realize the cash until later when the receivable is settled. Consequently, it is imperative to build up cash during the second quarter when labour costs are low and cash is coming in from revenues in the first quarter so that these funds are available to fund the increased labour costs that are incurred as soon as activity increases. The term debt was refinanced on April 20, 2010, as a result $30.0 million is now long-term. Currently the payment terms on the term debt are interest only, however, principal payments of $500,000 on this debt begin in April of 2011.

WELL SERVICING SEGMENT

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	2009	**2010**	2009
WELL SERVICING				
Revenues	**$ 6,891,504**	$ 4,467,304	**$ 22,830,935**	$ 17,445,993
Income (loss) before taxes	**(851,068)**	(1,630,762)	**695,297**	(595,996)
Depreciation and amortization	**1,874,017**	1,615,903	**4,226,957**	3,568,799
EBITDAS [(1)]	**1,022,949**	(14,859)	**4,922,254**	2,972,803

(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 46 service rigs and related support equipment and eight coil tubing units. The fleet operates from Alberta facilities in Red Deer, Provost, Brooks, Grande Prairie and facility in Weyburn, Saskatchewan. The Company's newer fleet of service rigs consists mainly of rigs that have been built since the inception of the Company and provides more reliable equipment than that of many of its competitors which translates to lower maintenance costs.

Revenues for the three and six months ended June 30, 2010 were $6.9 and $22.8 million, a year over year increase of $2.4 and $5.4 million respectively. The increase in revenues directly corresponds with the increasing utilizations seen beginning in the fourth quarter of 2009.

Gross profit expressed as a percentage of revenues was 32% for the three months ended June 30, 2010; a 3% decline from the first quarter and year over year increase of 4%. The decline from the first quarter is directly related to a small portion of fixed costs in the cost of sales that are incurred which negatively impact the gross profit percentage as revenues decline. Year to date, the gross profit percentage is 34% an increase of 2% year over year and closer to the 37% achieved in 2008. The Company does not anticipate being able to raise rates until drilling activity increases to a level sufficient to make service resources scarcer than they are currently.

Income (loss) before taxes of ($0.8) million for the three months ended June 30, 2010 and $0.7 million year to date is $0.8 million and $1.3 million (respectively) above that of the prior year as a result of the year over year increase in utilizations and gross profit.

Depreciation increased year over year for the three and six months ended June 30, 2010. Service rigs are charged depreciation on a unit of measure basis; as a result, increasing utilization rates increase depreciation expense incurred on these units.

EBITDAS for the three and six months ended increased by $1.0 million and $1.9 million as a result of increased utilizations and margins and cost cutting measures that have remained in place despite the improved economic outlook.

OTHER OILFIELD SERVICES SEGMENT

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	2009	**2010**	2009
OTHER OILFIELD SERVICES				
Revenues	**$ 2,362,735**	$ 1,929,976	**$ 6,545,538**	$ 7,987,901
Income (loss) before taxes	**(387,026)**	(1,026,870)	**(157,575)**	(473,474)
Depreciation and amortization	**635,535**	615,133	**1,271,994**	1,220,253
EBITDAS (1)	**248,510**	(411,737)	**1,114,419**	746,779

(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 snubbing units, 14 nitrogen tankers and pumpers, 12 pressure 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 customer. 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 three and six months ended June 30, 2010 were $2.4 million and $6.5 million, a year over year increase of $0.4 million and decrease of ($1.4) million respectively. The three months ended increase in revenues is consistent with the 8% year over year increase in utilization rates and pressure on rates charged to customers. The year to date decrease in revenues is a result of strong first quarter revenues seen in 2009.

Gross profit expressed as a percentage of revenues was 31% year to date a significant improvement from 24% for the same period in 2009. For the three months ended June 30, 2010, gross profit increased 19% to 26%. Prior to late 2009 this segment had a significant portion of its costs attributable to salaried employees. This was reduced in 2009 and will continue to be moved to more of an hourly structure to increase the margins in this segment.

Income (loss) before taxes has increased year over year both for the quarter and year to date. This improvement is a direct result in the improvement in the gross profit percentage and a focus on cost reductions.

Depreciation remained consistent year over year. 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 changes little from period to period for this segment.

EBITDAS has increased year over year both for the quarter and year to date. This improvement is a direct result in the improvement in the gross profit percentage and a focus on cost reductions.

LIQUIDITY AND CAPITAL RESOURCES

	2010		2009			
	JUNE 30	**MARCH 31**	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
Working capital (deficiency)	**$ 6,329,168**	**$ 8,606,456**	$ 6,005,996	$ (54,619,939)	$ (52,703,846)	$ (48,454,896)
Working capital (deficiency) net of term debt	**7,829,168**	**10,506,456**	7,711,358	5,280,061	7,196,154	11,545,104
Debt	**29,781,339**	**31,924,500**	31,729,862	59,869,999	58,647,338	60,298,124
Shareholders' equity	**92,982,687**	**96,253,422**	96,773,841	67,921,370	72,896,522	77,864,744
Debt to equity	**0.32**	**0.33**	0.33	0.88	0.80	0.77

On April 20, 2010, the Company secured term debt refinancing in the amount of $30.0 million. The term debt is for three years with the first year requiring payments of interest only, the second year requiring monthly principal payments of $500,000 per month plus interest and the third year requiring monthly principal payments of $750,000 per month plus interest. The term debt is subject to interest at a fixed rate of 8.045% and is secured with a first charge over fixed assets, a general security agreement over all remaining assets and an assignment of insurance.

On April 20, 2010, the Company also secured an operating facility margined to accounts receivable to a maximum of $10.0 million, at an interest rate ranging from bank prime plus 1.25% to bank prime plus 2.0%. The operating line is committed until April 30, 2011. A general security agreement providing security interest against all accounts receivable and a second fixed charge over all other assets has been provided as security for this agreement. As at June 30, 2010 $83,919 was outstanding on the operating line and a maximum of $7.75 million was available.

Management continues to examine property consolidation within Red Deer to reduce operating leases for that area, as well as a detailed review of all discretionary expenses and staffing levels to determine where cost savings could be affected. The Company's ability to manage cash throughout the three years under the new credit facility is critical to the long-term viability of the Company.

At the end of the second quarter of 2010, working capital was $6.3 million, a decrease of $2.3 million from the first quarter of 2010. The decrease in working capital is largely a result of operating losses (before non-cash items) of $0.4 million and a $1.9 million repayment of debt.

The decrease in debt of $28.9 million year over year is a result of receipt of funds from the close of the rights offering which generated $33 million in proceeds; $29.1 million of which was applied to the debts. The $2.1 reduction in debt from the first quarter of 2010 is mainly a result in a repayment of $1.9 million on the term debt prior to refinancing.

Shareholders' equity was $93.0 million at June 30, 2010, a decrease of $3.3 million from March 31, 2010. The decrease in shareholders' equity in the second quarter is mainly a result of a $0.5 million increase in contributed surplus as a result of the cancellation of shares associated with the shareholder's loan that was forgiven in the quarter end stock compensation expense offset by a ($3.5) million loss for the second quarter and a ($0.3) million reduction in share capital due to the cancellation of shares associated with the cancelled loan.

On March 31, 2010, the Company had 159,184,064 common shares issued and outstanding. On June 28, 2010, 444,701 common shares were cancelled with respect to the shareholder loan described above. On April 29, 2010, the Company issued 5,466,000 stock options to employees, officers and directors. On June 18, 2010, an additional 250,000 stock options were issued to key employees and directors of the Company. As at August 25, 2010, the Company had 158,739,363 common shares issued and outstanding and 7,582,627 stock options.

Debt to equity was 0.32 at June 30, 2010, consistent with March 31, 2010.

Changes in cash are outlined as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2010	2009	**2010**	2009
Funds from (used in) operations	**$ (457,085)**	$ (2,340,486)	**$ 2,474,938**	$ (169,028)
Add: Change in non-cash working capital	**6,647,025**	6,435,837	**1,780,672**	3,084,763
Cash flows from operating activities	**6,189,940**	4,095,351	**4,255,610**	2,915,735
Cash invested in acquisition of equipment	**(107,435)**	(1,455,821)	**(260,321)**	(8,385,249)
Proceeds on sale of assets	**–**	100,000	**–**	127,000
Decrease in restricted cash	**–**	–	**–**	–
Repurchase of common shares	**–**	–	**–**	(29,037)
Redemption of warrants	**–**	–	**(1,212,121)**	–
Financing costs	**(381,320)**	–	**(381,320)**	–
Repayment of debt	**(1,900,000)**	(2,171,509)	**(1,900,000)**	(100,000)
Issuance of debt	**–**	–	**–**	2,300,000
Increase (decrease) in cash	**$ 3,801,185**	$ 568,021	**$ 501,848**	$ (3,171,551)

(1) Funds from operations are calculated from the statement of cash flows as cash flows (used in) operating activities less the change in non-cash working capital, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. Funds from operations 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.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Beginning in April, 2011, the Company is committed to monthly principal payments of $500,000 in relation to the long-term debt.

OUTLOOK

During the first half of 2010, the Company focused on implementing cost control measures and achieving operational efficiencies together with improving its balance sheet in anticipation of strengthening market conditions. The Company believes that activity in the energy sector will gradually improve over the last half of 2010 resulting in higher utilization and profit margins. The Company has positioned itself to capitalize on stronger oil prices with the expansion and relocation of equipment to its new facilities in Grande Prairie, Alberta and Weyburn, Saskatchewan, where activity is expected to improve earliest and remain robust through the end of 2010 and into 2011.

With natural gas production remaining strong in Canada and the United States and storage levels near 5 year highs, the Company believes the recovery of natural gas prices and resulting improvement in well servicing activity will occur gradually in the near future. The Company continues to seek opportunities to increase utilization of its equipment and is actively cross-selling services in its Other Oilfield Services Segment in an effort to improve market share as well as to enhance profitability at reduced activity levels.

CWC enters the second half of 2010 with an improved competitive position, stronger balance sheet and a new and active Board of Directors which will give the Company a fresh outlook at opportunities. The Company is financially and operationally well-positioned to take advantage of the improvements in the industry through the remainder of 2010 and into the active first quarter of 2011 while maintaining its focus on safety for its employees and customers.

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 cannot 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.

Impairment of Long-Lived Assets: Long-lived assets, including property and equipment and intangible assets, comprise a majority of the Company's assets. Management reviews the carrying values of these assets for impairment periodically or whenever events or changes in circumstance indicate that their carrying value may not be recoverable. When this occurs, management performs various tests to see if the net carrying value differs from fair value, and if the fair value is less than the carrying value, the asset would be considered to be impaired, and an impairment loss would be recognized to reduce the asset's carrying value to its estimated fair value. The downturn seen in 2009 was seen as such a circumstance, and as a result a test for impairment of long-lived assets was conducted. The test for impairment focused on the forecasting model developed for use in refinancing, combined with an independent valuation that was done on the Company's assets for financing. To determine whether impairment occurred, Management evaluated the future estimated cash flows expected over the next 10 years. The starting base for the forecast is the recently completed three-year forecast provided to various firms in order to negotiate a replacement credit facility. This has been done including the first two months of actual results for 2010 and a current revised forecast for March 2010. This was then expanded for moderate growth as the WCSB is expected to recover. From 2013 to 2015 a 5% growth in both revenues and expenses was assumed; for 2016 and 2017 a 2% growth in revenues and expenses was forecasted, and a 1% increase for 2018 and 2019. In addition to the non-discounted cashflow analysis, Management compared the value of the assets and intangibles to the results of an asset valuation done by an independent valuation firm.

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 monitoring its 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.

In 2008 management anticipated that the economic downturn would continue throughout most of 2009, resulting in an increased 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, management has focused their marketing efforts with larger companies that have strong balance sheets and positive cash flows. Analysis of the top ten customers for the six months ended June 30, 2010, shows that eight of the top ten indeed were larger producers who paid reliably throughout the year. The Company has provided for approximately 47% of its accounts receivable in excess of 90 days and collected 38% subsequent to the end of the quarter. Currently, the Company is confident the remaining amounts not provided for will be collected and the provision is an accurate assessment of the maximum credit risk exposure to the Company

Liquidity Risk: Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its financial obligations. The credit facilities available as at June 30, 2010, consisted of term facilities totaling $30.0 million. The term debt is for three years with the first year requiring payments of interest only, the second year requiring monthly principal payments of $500,000 per month plus interest and the third year requiring monthly principal payments of $750,000 per month plus interest. The term debt is subject to interest at a fixed rate of 8.045% for the term.

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 the new facilities. In order to manage this liquidity risk, the Company actively monitors all accounts receivable to maintain accounts outstanding over 60 days to less than 25 percent of the total balance. As at June 30, 2010, the balance of trade accounts receivable in excess of 90 days was $972,945, representing approximately 16.5% of the trade accounts receivable balance, of this amount $461,141 has been provided for as an allowance for bad debts and $364,952 was collected subsequent to quarter end. 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 is exposed to sudden increases in interest rate changes as the operating facility entered into by the Company subsequent to year end is variable based on prime lending rates. Prior to the Company securing a new operating facility and term debt facility, all debt was subject to variable interest rates. Although this did benefit the Company throughout 2008 and 2009, there was a risk that prime rate could increase over time. The term facility the Company secured on April 20, 2010, is fixed for three years at 8.045%. As a result, the Company has minimized its exposure to interest rate risk for the next three years on this debt. The operating line secured by the Company subsequent to year end is at a variable rate based on prime. The Company remains exposed to interest rate risk on the operating line. For the three and six months ended June 30, 2010, a one percent change in the prime lending rate would have impacted net income by $3,184 and $81,841 respectively.

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 begun 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

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

To date, management has created a changeover plan for IFRS conversion that has been presented to, reviewed and authorized by the Audit Committee of the Board of Directors. Hallmarks of the change over plan include definition of the discrete tasks required for conversion, a timeline for the completion of the discrete tasks, an estimate of the effort and duration associated with the conversion, prioritization of tasks, the assignment of key personnel within the organization and an analysis of key interdependencies relating to the conversion steps. The conversion began in February 2009. Completion of the conversion has experienced some delays as the Company's limited accounting staff was forced to deal with the effects of the economic downturn, a proposed takeover by the Company's majority shareholder and trying to secure a long-term solution for its term debt and operating facilities; however, the Company has revised the plan and expects to be compliant with our reporting for the first quarter of 2011 as required.

During 2009, the Company evaluated the effects of IFRS on its treatment of revenues, operating expenses, current assets and current liabilities and determined that no material changes would result as a result of the transition from Canadian GAAP to IFRS in these areas. Currently, the Company continues to work on the componentization of the equipment as well as an evaluation of the intangibles. The Company is also focusing a significant portion of the plan on effects of the changes to impairment testing and evaluating the effect this will have on results.

As the Company remains in Phase Two of the conversion plan which involves identification and evaluation of the significant accounting policies that relate to each major conversion area, and has not yet finalized its accounting policy choices, the Company has not yet quantified the impact of IFRS on its financial statements.