



PRODUCTION ENHANCEMENT GROUP, INC.

ANNUAL INFORMATION FORM

March 31, 2007

For the Year Ended December 31, 2006

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute forward-looking statements. The use of words such as “may”, “might”, “will”, “should”, “could”, “would”, “intend”, “expect”, “estimate”, “predict”, “potential”, “continue”, “believe”, “anticipate”, “plan”, “expect” and similar expressions are intended to identify forward looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those which are expressed or implied by the forward looking statements. They are predictions only, and while they reflect current expectations regarding future events, they speak only as of the date of this annual information form and should not be read as guarantees of future performance or results. Forward-looking statements will not necessarily be accurate indications of whether or not the results expressed or implied in such statements will be achieved, and prospective investors should not place undue reliance on them. A number of factors could cause actual events to differ from the events expressed or implied in the forward-looking statements, including, but not limited to, the factors discussed under “Risk Factors” and matters discussed elsewhere in this annual information form.

Although management believes that the expectations reflected in the forward-looking statements contained in this document are reasonable, Production Enhancement Group, Inc. (the “Company”) cannot assure investors that actual results will be consistent with these forward-looking statements or that such expectations will prove to be correct.

In particular, this annual information form contains forward-looking statements pertaining to the following:

- trends in the oil field services industry;
- development of technology relevant to the Company’s business;
- the Company’s market opportunities and business strategy;
- the receipt of governmental certifications and other regulatory approvals;
- the adequacy of cash resources;
- capital expenditure programs;
- supply and demand for oilfield services and industry activity levels;
- commodity prices;
- income tax considerations;
- treatment under governmental regulatory regimes;
- dependence on equipment suppliers;
- dependence on key personnel;
- collection of accounts receivable;
- operating risk liability;
- expectations regarding market prices for services and costs;
- capital raising;
- timing and scope of expansion of services in the United States, Canada and internationally;
- timing and scope of acquiring additional equipment, including WISE™ CT Units; and
- competitive conditions.

The Company’s actual results could differ materially from those anticipated in these forward looking statements as a result of the risk factors set forth below and elsewhere in this annual information form:

- general economic conditions in Canada and the United States;

- demand for oilfield services during drilling, completion and operation of oil and natural gas wells;
- volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally;
- competition;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas service operations;
- sourcing, pricing and availability of consumables, component parts, equipment, facilities, and skilled management, technical and field personnel;
- ability to integrate technological advances and match advances of competition;
- availability of capital;
- uncertainties in weather affecting the delivery of services;
- changes in legislation and the regulatory environment; and
- the other factors considered under “Risk Factors”.

NON-GAAP FINANCIAL MEASURE

Throughout this annual information form, the term “EBITDA” is used to refer to earnings before interest, taxes, depreciation and amortization and stock compensation expense. The term EBITDA is not a measure recognized by generally accepted accounting principals (“GAAP”) and does not have a standardized meaning prescribed by GAAP. EBITDA may not be comparable to similar measures presented by other issuers, and investors are cautioned that EBITDA should not be considered as an alternative to net earnings or other measures of financial performance calculated in accordance with GAAP.

EBITDA is provided as a measure of operating performance without reference to financing decisions and income tax impacts, which are not controlled at the operating management level. Accordingly, management believes EBITDA is a useful measure for prospective investors in evaluating the financial performance of the Company, and specifically, the ability of the Company to service the interest on its indebtedness.

CONVENTIONS

Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars.

GLOSSARY

In this annual information form, the capitalized terms set forth below have the following meanings:

“**ABCA**” means the *Business Corporations Act* (Alberta), as amended from time to time;

“**A to Z**” means A to Z Pressure Pump Services, LLC, a Louisiana limited liability company;

“**A to Z Acquisition Agreement**” means the Agreement and Plan of Exchange between the Company, A to Z and the shareholders of A to Z dated November 24, 2005;

“**Class B Shares**” means class B convertible non-voting shares in the share capital of the Company;

“**Class C Shares**” means class C convertible non-voting shares in the share capital of the Company;

“**Common Shares**” means common shares in the share capital of the Company;

“**Company**” or “**PEGI**” means Production Enhancement Group, Inc., a corporation incorporated under the *Business Corporations Act* (Alberta);

“**CT**” means coiled tubing;

“**CT Unit**” means a coiled tubing based well intervention unit;

“**GAAP**” means generally accepted accounting principles;

“**Grupo Term Sheet**” means the term sheet entered into on December 29, 2006 between the Company and Grupo Creativa, S.A. de C.V.;

“**LLC**” means limited liability company;

“**Master Service Agreement**” means a contract between the Company and a customer outlining the terms and conditions under which services will be performed;

“**Memorandum of Understanding**” means the memorandum of understanding dated November 23, 2006 between the Company and Al Qahtani Maritime & Oil Field Services Co.;

“**Nitrogen Agreement**” means the agreement dated October 27, 2006 between the Company and Nitro-Lift Technologies LLC;

“**PET**” means Production Enhancement Technology, LLC, a Louisiana limited liability company;

“**PET Acquisition Agreement**” means the Agreement and Plan of Exchange between the Company, PET and the shareholders of PET dated November 24, 2005;

“**PETI**” means P.E.T. International, Inc.;

“**Preferred Shares**” means preferred shares in the share capital of the Company;

“**Series A Preferred Share**” means Series A 8% cumulative non-voting convertible preferred shares in the share capital of the Company;

“**TSX**” means the Toronto Stock Exchange;

“**US**” or “**United States**” means the United States of America;

“**WISE™**” is an acronym for Well Intervention Systems and Equipment™, which the Company also utilizes as a trademark in conjunction with its products and services;

“**WISE™ CT Units**” means collectively, the WISE™ II CT Units and the WISE™ III CT Units;

“**WISE™ II CT Unit**” means a trailer mounted onshore coiled tubing based well intervention unit;

“**WISE™ III CT Unit**” means a small-footprint, skid-mounted, offshore, coiled tubing-based well intervention unit;

“**WISE™ Technologies**” means the Company’s proprietary coiled tubing based technologies including all present and future patents, patent applications and other intangible property rights; and

“**WWIS**” means WISE Well Intervention Services, Inc., a Nevada corporation.

CORPORATE STRUCTURE

Incorporation

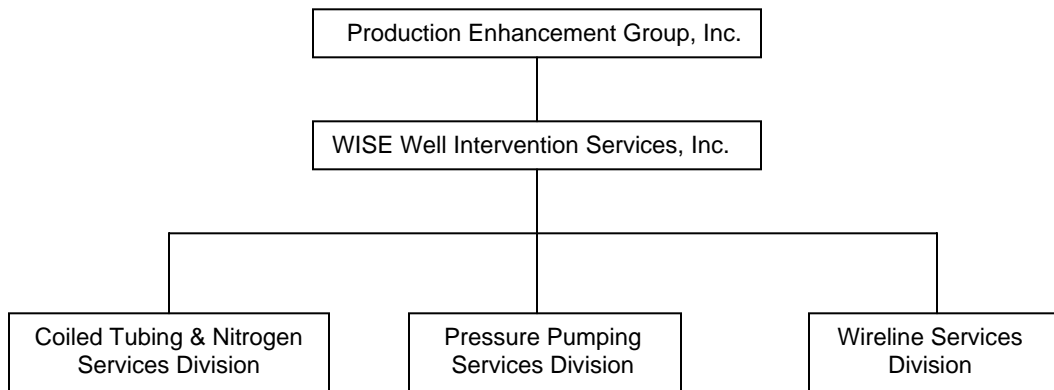
Production Enhancement Group, Inc. (the “Company”), was incorporated under the *Business Corporations Act* (Alberta) (the “ABCA”) on November 21, 2005. On November 28, 2005, the Company filed an amendment of its articles of incorporation to amend the provisions of its Class B Shares. On February 28, 2007, the Company filed an amendment to its articles of incorporation to create the first series of Preferred Shares of the Company designated as “Series A – 8% Cumulative, Non-voting, Convertible Preferred Shares”.

The Company’s head office is located at 17225 El Camino Real, Suite 250, Houston, Texas 77058 2768 and its registered and records office is located at 3300, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9.

The Company has one subsidiary, WISE Well Intervention Services, Inc. (“WWIS”). WWIS was incorporated under the laws of Nevada. The Company owns 100% of the issued and outstanding shares in the capital of WWIS.

INTERCORPORATE RELATIONSHIPS

The following organizational chart describes the current corporate structure of the Company and its sole subsidiary, WWIS. This chart also outlines the three main operational divisions of WWIS, which include the Coiled Tubing & Nitrogen Services Division, the Pressure Pumping Services Division and the Wireline Services Division.



GENERAL DEVELOPMENTS OF THE BUSINESS

History

The following is a description of the general development of the business of the Company since its incorporation.

2005

On November 21, 2005, the Company was incorporated under the laws of Alberta.

On November 21, 2005, the Company acquired P.E.T. International, Inc. (“PETI”).

On November 29, 2005 and December 22, 2005, the Company issued an aggregate of 1,784,331 Class B Shares on a private placement basis for net proceeds of approximately US \$2,082,845. The net proceeds of those private placements were used to acquire additional equipment and for working capital purposes.

2006

On January 1, 2006, the Company acquired Production Enhancement Technology, LLC (“PET”) and A to Z Pressure Pump Services, LLC (“A to Z”).

On April 19, 2006, the Company closed its initial public offering of Common Shares and the Company’s Common Shares began trading on the TSX.

On October 27, 2006, the Company signed an agreement with Nitro-Lift Technologies LLC giving the Company the exclusive worldwide rights to self-generating nitrogen units for coiled tubing applications (the “Nitrogen Agreement”). The agreement, which is effective for five years, calls for the Company to purchase a minimum of 20 units, with an initial order for two units. The Company has made a deposit in the amount of US \$500,000 toward the purchase of two nitrogen units. The initial equipment is expected to be delivered in June 2007, and there is a balance due of US \$500,000 on 50% completion and the balance of US \$500,000 upon delivery and acceptance.

On November 23, 2006 the Company announced the execution of a memorandum of understanding (the “Memorandum of Understanding”) with Al Qahtani Maritime & Oil Field Services Co. to form a joint venture to exploit the Company’s patented WISE™ multifunction coil tubing well intervention systems on an exclusive basis in the Middle East, beginning in Saudi Arabia with future expansion opportunities throughout the region. The joint venture, which will be 60% owned by Al Qahtani Maritime and 40% owned by the Company, will immediately begin constructing WISE CT Units capable of working in harsh environments, both onshore and offshore. The units, which will be built in the US, will be custom configured for each target location covered by the agreement and will feature the latest WISE patented technology. The joint venture company will be named Al Qahtani WISE Co., Ltd., and will market, sell, and support well intervention systems and services under the trademarked WISE™ brand.

On December 29, 2006, the Company announced that it signed a term sheet (the “Grupo Term Sheet”) with Grupo Creatica, S.A. de C.V. (“Grupo Creatica”) to form a joint venture to deploy the Company’s patented WISE™ multifunction coil tubing well intervention systems on an exclusive basis in Mexico. The joint venture company will market, sell, and support well intervention systems and services under the Company’s trademarked WISE™ brand. The joint venture, which will be 51% owned by Grupo Creatica and 49% owned by the Company, will begin constructing six WISE CT Units as the first step in a long-range strategy for the Mexico market once the joint venture company is organized. The initial units will be funded by or through Grupo Creatica, with no funding or credit support from the Company. The units will be custom-configured for each target location and will feature the latest WISE patented technology, including site-generated nitrogen capabilities.

On June 22, 2006, the Company entered into a lease agreement with G.E. Fleet Services, a major fleet creditor for the lease of vehicles (the “Lease Agreement”). The term of the lease is 367 days renewable monthly thereafter. The lease is structured as an operating lease and a 30% deposit is required on all vehicles. As of December 31, 2006 the total deposit on operating leases is US \$282,824 and will be US \$115,486 in 2007.

In December 2006, the Company entered into a lease agreement with Strategic Endeavors LLC effective January 1, 2007, for an initial term of three years. The lease is a triple-net lease with payments of US \$21,500 per month.

Under the terms of lease agreements for its premises and operating leases, the company is committed to the following payments:

2007	US	612,374
2008	US	478,499
2009	US	450,539
2010	US	82,305
2011	US	-

2007

On February 2, 2007, PETI was renamed WISE Well Intervention Services, Inc., and PET and A to Z were merged into WWIS and are now operating divisions of this entity: Coiled Tubing and Nitrogen Services and Pressure Pumping Services, respectively.

Effective March 5, 2007, WWIS acquired Wireline Specialists of Louisiana, Inc. (“WSL”). On the same day WSL was merged into WWIS, where the continuing operations of that former entity constitute the Wireline Services Division.

RECENT ACQUISITIONS AND PRIVATE PLACEMENT

P.E.T. International, Inc.

On March 15, 2006, PETI obtained US \$508,344 of short-term interim financing in the form of a sale/leaseback of certain equipment and the financing of additional equipment in the form of a lease. The equipment consisted of two trucks, two trailers, one reel and one injector head to be used for coil tubing units. As partial consideration for the interim financing, the lessor received 10,000 common share purchase warrants entitling it to acquire one Common Share per warrant at an exercise price of \$2.00 per share for a period of 12 months from the date of grant. In addition, the lessor has the option to require PETI to repay the financing following the closing or a significant re-financing of PETI. The lease term is 60 months with the monthly payment for months one through three at US \$10,710.81 and, thereafter at US \$11,641.07 per month. PETI’s obligations under the lease are guaranteed by the Company.

Production Enhancement Technology, LLC

Effective as of January 1, 2006, the Company acquired PET pursuant to the PET Acquisition Agreement, whereby all of the issued and outstanding limited liability corporation (“LLC”) units in the capital of PET were acquired by the Company in exchange for a total of 914,076 Common Shares at a deemed issue price of \$2.00 per Common Share, 8,226,699 Class C Shares at a deemed issue price of \$2.00 per Class C Share and cash in the amount of \$5,411,990. The acquisition of PET has been accounted for as a capital transaction using the reverse take over accounting rules for transactions that do not constitute business combinations for accounting purposes. By agreement, all shares issued to the sellers are subject to a two year hold period ending January 1, 2008.

The PET Acquisition Agreement contains customary representations and warranties and related indemnities by PET’s unitholders in favour of PET and the Company and by the Company in favour of

PET's unitholders. The representations and warranties survived the closing of the acquisition and continue for a period of three years thereafter, subject to certain exceptions. During such period, the Company, PET and its unitholders are each entitled to indemnification in respect of losses arising from a breach by the other party or parties of any representations, warranties or covenants in the PET Acquisition Agreement. No claims have been made by any party under the PET Acquisition Agreement.

A to Z Pressure Pump Services, LLC

Effective as of January 1, 2006, the Company acquired A to Z pursuant to the A to Z Acquisition Agreement, whereby all of the issued and outstanding LLC units in the capital of A to Z were acquired by the Company in exchange for a total of 545,301 Common Shares at a deemed issue price of \$2.00 per Common Share and cash in the amount of US \$890,660. The acquisition of A to Z by the Company has been accounted for using the purchase method of accounting for business combinations. By agreement, all shares issued to the sellers are subject to a two year hold period ending January 1, 2008.

The A to Z Acquisition Agreement contains customary representations and warranties and related indemnities by A to Z's unitholders in favour of A to Z and the Company and by the Company in favour of A to Z's unitholders. The representations and warranties survived closing of the acquisition and continue for a period of three years thereafter, subject to certain exceptions. During such period, the Company, A to Z and its unitholders are each entitled to indemnification in respect of losses arising from a breach by the other party or parties of any representations, warranties or covenants in the A to Z Acquisition Agreement. No claims have been made by any party under the A to Z Acquisition Agreement.

Wireline Specialist of Louisiana, Inc. ("WSL")

On March 5, 2007, the Company purchased all of the shares of WSL. The Company assumed and refinanced WSL's existing debt of approximately US \$2.1 million and paid net consideration to the selling shareholders of approximately US \$3 million in cash and 1.2 million Common Shares. A portion of the cash requirements was financed by the sale of 6,666,667 units ("Units") consisting of one Series A Preferred Share and three-quarters of a common share purchase warrant. Each warrant entitles the holder to acquire one Common Share for each such warrant held. The remainder of the proceeds necessary to refinance the assumed indebtedness and pay the selling shareholders of WSL was provided by a \$4 million increase in term loans provided by a major international financial institution. Up to an additional US \$450,000 of cash and up to an additional 780,463 Common Shares may be issued following April 30, 2007 if the former WSL operations generate up to US \$1.8 million of adjusted EBITDA for the trailing 12 month period ending on such date.

Private Placement of Units

On March 5, 2007 the Company completed a private placement of 6,666,667 units (each a "Unit") priced at \$0.87 per Unit, for a total value of up to \$5.8 million. Each Unit is comprised of one Series A Preferred Share and three quarters of one common share purchase warrant. Proceeds of the offering were used to close the acquisition of WSL described above.

The Series A Preferred Shares will pay quarterly cumulative dividends at a rate of 8% per year of the amount invested. The Company has the right to pay all or a portion of the first four quarterly dividends in kind in additional Series A Preferred Shares at the equivalent Common Share value at the time of payment. Each Series A Preferred Share is convertible at the option of the holder into one Common Share. The Company may force conversion of the Series A Preferred Shares upon 30 days' notice if the

average closing price of the Common Shares of the company on the TSX exceeds \$1.74 for a period of 10 consecutive trading days on which an average of 10,000 Common Shares have traded.

Each whole warrant shall entitle the holder to purchase one Common Share at a price per share of \$1.24 for a period of five years following the date of issuance. The Company can accelerate the expiry of the warrants in the event that the simple average trading price for a 30 consecutive trading day period is equal to or greater than \$2.48.

Sanders Morris Harris, Inc. acted as the exclusive placement agent with respect to the offering and received a 7% commission and broker warrants (the "Broker Warrants") equivalent to 5% of the number of Series A Preferred Shares issued pursuant to the offering. Each Broker Warrant entitles the holder to purchase one Common Share at a price per share of \$1.08 for a period of five years following the date of issuance.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

The Company and its wholly owned subsidiary, WWIS, provide oilfield and natural gas well services. WWIS provides specialized coiled tubing, pressure pumping, and wireline services to oil and gas producers and operators in Texas, Louisiana, and Mississippi and in the offshore waters of the Gulf of Mexico.

Revenues Generated by Categories of Principal Services

The following categories of principal services accounted for more than 15% of the Company's total consolidated revenues from third parties for the applicable period (note that wireline services do not appear in 2006 as the WSL acquisition closed in 2007).

<u>Service</u>	<u>Year Ended December 31, 2006</u>	<u>Year Ended December 31, 2005</u>
Coiled Tubing	US \$14,456,571	-
Pressure Pumping	US \$6,578,735	-

Coiled Tubing

Coiled tubing is an energy services technology that utilizes a continuous length of small diameter pipe, usually steel, that is ductile enough to be coiled onto a large reel (13 to 14 feet in diameter), yet strong enough to withstand extreme pressure loadings. The length of tubing on a typical coiled tubing unit varies depending on the diameter of the tubing and the size of the service reel, but lengths of 10,000 to 15,000 feet are common. The continuous coiled tubing is used to transmit an inert gas (nitrogen) or a variety of fluids (e.g. water, acids, chemicals or slurries) through the tubing to clean out blockages in oil and gas wells or treat specific problems or conditions within the well bore (e.g. paraffin accumulation or scaling). Coiled tubing is also used to convey various downhole tools to the site of a mechanical problem in the well bore and to energize the tool to conduct a variety of downhole operations (e.g. drilling, jetting, etc.). Coiled tubing is particularly effective in conveying tools in highly deviated well bores (e.g. "horizontal" wells) where a simple wireline deployed tool would be ineffective and with its greater tensile strength, coiled tubing can also be used for "fishing", extracting debris or a dropped tool from the well bore.

Advances in coiled tubing design have improved its capabilities and made it an attractive well intervention option. Coiled tubing surface equipment units are self contained, hydraulically powered workover units that provide time and cost savings when compared to using a conventional workover rig. Because coiled tubing is non-jointed, coiled tubing has the advantage of being able to run at higher speeds into or out of a well, and has the ability to circulate fluid through the tubing while it is being inserted into or withdrawn from a well. That allows work on a pressurized well without having to “kill” the well, sacrificing production and risking damage to the reservoir. These advantages drive the preference for coiled tubing use over the more conventional approaches to well intervention or drilling. Some of the major advantages that coiled units offer are summarized below (from Offshore, “Well Intervention”, March 2003 and Offshore, “Well Intervention”, September 2003):

- Faster running speeds into and out of a well since the operator does not have to stop to connect or disconnect each joint of pipe;
- Reduced rig up and trip times;
- Ability to continually circulate fluid through the pipe while the tubing is being lowered into and out of the hole;
- Localized delivery of downhole fluids, increasing production tubing life and preventing contamination of acid from tubing scale;
- Ability to work on live wells;
- Ability to perform many “wireline” services in highly deviated and horizontal well bores;
- Safer and more effective operations in under balanced conditions;
- Minimal well shut in time;
- Smaller environmental footprint; and
- More effective at positioning tools in horizontal wells.

While coiled tubing is used primarily for completion and well intervention in oil and gas producing wells, there is also a demand for similar intervention in saltwater disposal wells, which accept water produced along with oil and gas. Typically, a single saltwater disposal well services many producing wells; downtime on a single saltwater disposal can halt production on numerous (a dozen or more) oil and gas wells. In addition to oil and gas well applications, there are also specialized applications in servicing disposal injection wells in industrial plants (refineries, chemical plants) and in removing blockages in pipelines, flowlines and in pipes within industrial plants. These markets are fragmented and difficult to assess, but the Company intends to market to and service a portion of this market where it otherwise operates. Management believes that there are approximately 10,000 plants in the US with natural gas or disposal wells, and a high proportion of the refineries and chemical plants are located on the US Gulf Coast. The Company currently serves a number of plants directly and as a sub contractor through environmental and plant turnaround contractors. This is a small part of the Company’s business to date, but one that it believes it can grow with its small footprint WISE™ Technologies, as space utilization within a plant jobsite is generally a concern for the plant manager.

Pressure Pumping Services

To the extent pressure pumping services are delivered in conjunction with coiled tubing services, the technical advances in coiled tubing technology discussed above have expanded the market for pressure pumping services. The market for pressure pumping services in well intervention application has benefited from the aging of productive oil and gas fields and from the desire by producers to increase production from all available sources as oil and gas commodity prices have increased.

The Company provides a variety of pressure pumping services to operators of oil and gas wells during both the drilling and completion of new wells and during the production phase of an oil or gas well. These include:

- **Acidizing** – Sandstone acidizing, the process of pumping an acid solution into a geological formation to increase oil and gas flow characteristics, is required in many wells to optimize production. It is often the most efficient way to increase production in wells that require stimulation, and the Company believes that it has particular expertise in the application of complex acid technologies.
- **Cementing** – The Company provides cementing services (pumping of cement behind the casing to complete or re complete a producing well) on land and on inland waters and offshore. It specializes in remedial cementing services, such as cement packers.
- **Chemical Application** – The Company delivers chemical stimulation programs to optimize well production, working with scientists and chemical providers to formulate chemical packages that management believes deliver superior performance (measured by post treatment well production rates). The Company utilizes advanced microbe technology for increased petroleum production.
- **Sand Control** – The Company offers an entire package for sand control needs (techniques for cleaning and control of sand accumulation in the wellbore) in conjunction with third party providers of completion tools, wireline and thru tubing services, including the design and execution of cement packers and water or gravel packing services.
- **Pipeline Cleanouts** – The Company provides the pipeline industry with chemical technology and thermal fluid technology for removing pipeline and flow line blockages. The Company's thermal fluid unit is a flameless heating unit that utilizes waste heat from the engine's hydraulic system, radiator, and the final stage engine exhaust to heat fluids from ambient temperature to 300°F (150°C), depending on desired rates and type of treating fluid. The thermal fluid unit is capable of dissolving paraffin plugs in pipelines and flowlines by utilizing a combination of heat and chemical packages. The Company also offers gel pig packages and chemical component treatments to solve an array of pipeline cleanout problems.

Competitive Conditions

The market for coiled tubing services is one of the fastest growing segments of the energy services market, expanding at twice the rate of the overall energy services industry, according to a 2003 Raymond James & Associates report. According to the 2003 report by Raymond James & Associates and a separate 2003 report by the US Department of Energy, the annual global market for coiled tubing services was approximately US \$1 billion at that time.

In a published report by the Intervention and Coiled Tubing Association ("ICoTA"), as at January 31, 2005, the global fleet of CT Units has more than doubled over the last decade to approximately 1,182 units. According to the ICoTA report, as at January 2005, there were 257 units operating in the US and 311 units deployed in Canada (these two countries represent approximately 48% of the world-wide fleet of CT Units). The ICoTA report also states that over the past decade, US demand for CT Units has grown at an average rate of 8% per year, and in Canada, the coiled tubing market has grown at 25% per year since 1997. According to the ICoTA report, as of January 31, 2005, there were 25 companies operating coiled tubing services in the United States and about 68 companies in Canada. The ICoTA report states that globally, three companies, (Dowell Schlumberger Inc., BJ Services Company, and Halliburton Company) represented approximately 39% of the worldwide coiled tubing market at that time

and Schlumberger was the largest coiled tubing services company with 196 CT Units operating worldwide.

While the Company believes that over 80% of all gas and oil wells are producing from depths of 15,000 feet or less, the trend among the major coiled tubing companies appears to be a greater focus on the deeper wells, which have much higher down hole pressure and require larger diameter coiled tubing and much more expensive equipment (and day rates). The Company's target market is the shallow to intermediate depth well (wells under 15,000 feet deep) market, which the Company believes is currently underserved and has fewer large competitors. The Company believes its specialized WISE™ CT equipment and services, along with its complementary pressure pumping and wireline services, are well suited to serve this segment.

The Company will assess the number of target shallow wells in each geographic market the Company enters to prioritize the specific areas for its sales and marketing plan. The Company intends to acquire well configuration data by district from a local energy services market research company that will be used to evaluate and focus on distribution priorities. The data will include the number of target wells in each field and the specific depths of the wells.

The Company believes that the estimated 10,000 chemical plants in the US that include gas storage and injection wells is a market that is underserved and is an ideal candidate for the small footprint of WISE™ land units. The Company will initially focus on servicing these plants in the Gulf Coast region.

New Products

On October 27, 2006, the Company signed an agreement with Nitro-Lift Technologies LLC, giving the Company exclusive worldwide rights to Nitro-Lift self-generating nitrogen units for coiled tubing applications. The agreement, which is effective for five years, calls for the Company to purchase a minimum of 20 units, with an initial order for two units. The Company expects the self-generating nitrogen units to significantly enhance the competitive advantages of the Company's patented WISE Well Intervention multifunction coiled tubing systems. The combination of coiled tubing and self-generating nitrogen capabilities is covered by the Company's existing patents.

Nitrogen is widely used in conjunction with coiled tubing for stimulating and treating oil and gas wells. Self-generating nitrogen units use proven membrane-separation technology to extract nitrogen gas from the atmosphere at the well-site, thereby eliminating the need to transport liquid nitrogen to the well-site in pressurized tanks and then use specialized equipment to convert the liquid to gas. The specially engineered units deliver the purity, volumes, and pressures needed for jobs performed by WISE Well Intervention. Units will be more compact and weigh less than any self-generating nitrogen units currently in oilfield service, in keeping with the Company's strategy of minimizing the weight and well-site footprint of WISE multifunction coiled tubing systems.

Intangible Properties

On October 27, 2006, the Company obtained an exclusive worldwide license for proprietary site-generated nitrogen technology for well intervention applications from Nitro-Lift Technologies LLC. The term of the agreement is five years. The Company holds US and Canadian patents on its multi-function technology. The patent covering two functions (e.g. coiled tubing and nitrogen) with a single power source was filed on April 22, 2002 and will expire on April 22, 2022. The patent covering three functions having a single power source was filed on October 22, 2003 and will expire on October 22, 2023. In addition, the Company has two US patents and numerous international patents pending.

WISE™ Technologies

“WISE™” is a trademark of the Company and is an acronym for “Well Intervention Systems and Equipment™”, which the Company also utilizes as a trademark in conjunction with all of its products and services (including its pressure pumping and wireline services). The “WISE™ Technologies” referred to herein consist of the Company’s patented architecture for combining and integrating several coiled tubing based well intervention applications on a single trailer or skid. The term “WISE™ Technologies” encompasses the Company’s multifunction WISE™ CT Units and all related patents, copyrights, trademarks, designs, drawings, specifications, improvements, know how, financial and business models, processes and systems, as well as extensions to the patents as newer applications are conceived. To date, the Company’s WISE™ Technologies have focused exclusively on CT based applications.

Proprietary Aspects of Company’s WISE™ Units

The Company’s patents cover the entire architecture and design concept of combining and integrating several CT based well intervention applications (such as a CT Unit, a nitrogen system and a fluid pump) on a single trailer or platform, controlled by a single control system, powered by a single power source and actuated through a single set of hydraulics. It is the totality of this patented design that allows the Company to produce a unit of equipment that management believes has a uniquely small footprint and is uniquely light in weight for the multiple capabilities involved. The Company believes that its patents effectively block a competitor from developing a unit of equipment with comparable operating characteristics, footprint and weight because to attempt to do so with more than one control system, more than one power source and more than one set of hydraulics would be to increase the size, weight, complexity and component cost of the unit.

The Company’s patented multifunctional WISE™ land CT Unit combines coiled tubing and nitrogen systems on a single trailer for use on land, which management believes minimizes transportation requirements (e.g. two or more semi tractors versus one semi tractor used by the Company), deployment costs and onsite footprint. The Company’s patented multifunctional WISE™ offshore CT Unit combines coiled tubing, a nitrogen system and a fluid pump on skids primarily for use on offshore platforms, liftboats, and amphibious vehicles, which management believes minimizes expensive marine transportation requirements (e.g. larger or multiple supply vessels or a more expensive jack up rig, versus one supply boat for the Company), deployment costs and greatly reducing the weight and onsite footprint for the platform operator. The Company’s patent approach, which is based on the integration of multiple components with a single power source, control system and hydraulics, allows for the extension of the WISE™ Technologies design concept to include the addition or substitution of different well intervention equipment components into an integrated WISE™ unit.

Operating Advantages Inherent in the WISE™ Technologies

Management believes that using the WISE™ Technologies to deliver several integrated well intervention applications (commonly referred to as “production enhancement” or “workover” applications) via a multifunction unit allows the Company to eliminate redundant costs and solve expensive logistical issues related to the onsite servicing of an oil, natural gas, or disposal well, such as transportation of multiple trailers or skids, space limitations, weight limitations, crew size, total job time and safety issues. With a WISE™ Unit, coiled tubing operations are observed and managed from a single, enclosed control cabin, which management believes increases operational coordination and precision, as well as personnel safety. The comprehensive control console enables a single operator to monitor and control all aspects of a coiled tubing well intervention project (generally competitors use two or more operators to control a job, communicating via headsets and attempting to coordinate their activities at two or more control panels). Electrical, hydraulic and high pressure hose connections are integrated into the WISE™ CT Units, which

management believes substantially reduces both rig up and rig down time and the attendant safety risks to crews and equipment (generally our competition must rig up and maintain (and then rig down) electrical, hydraulic and high pressure hose connections between different pieces of equipment on the job site, increasing the potential for crew injuries and equipment failures). The Company typically bills for its field services on a competitive basis, but passes on to the customer the cost savings from the reduced transportation charges, reduced rig up and rig down time and similar logistical cost savings. Management also believes that the customer receives the economic benefit of accelerating its oil and gas production due to the Company's reduced total time to complete the job on location.

WISE™ Units have been operating in the field, including in the demanding offshore environment, for several years. As each new unit was constructed and deployed, it typically generated revenue in excess of monthly operating costs per unit within the first or second month, and construction of a new unit was subsequently commissioned. The current WISE™ CT Units are designed specifically to operate on oil and gas wells up to 15,000 feet in depth, which the Company estimates represent over 80% of producing oil and gas wells in North America and globally. The Company's WISE™ CT Units can be configured to do virtually any CT application (e.g. sand washouts, fluid lifting, chemical treating, acidizing, and cementing) needed in the field, including work below 15,000 feet. Because of the small footprint, reduced weight and other operating characteristics of the Company's WISE™ CT Units, there are many situations where management believes these units are the most cost effective alternative for servicing a platform or well site, especially offshore where deck space is at a substantial premium and crane lifting capacities and other parameters dictate what type of equipment can be placed directly on the platform for well intervention work.

As an example of the WISE™ Technologies' versatility and the unique benefits of a small footprint and reduced weight, the Company has conducted jobs in coastal marshes using a modular WISE™ CT Unit deployed on a rented amphibious vehicle. Due to its lightweight and compact configuration, the WISE™ system is the only coiled tubing/nitrogen/fluid pump combination known to management that can be used on available amphibious crawlers. The Company was able to service wells in shallow inland waters that were inaccessible by other means due to silting of the access canals in the aftermath of Hurricanes Katrina and Rita. The WISE™ system, mounted on the amphibious crawler, can traverse shallow water, and, when on land, exerts a pressure per square inch of only 1.9 pounds, which management believes makes it an ideal alternative for marshes, wetlands or other environmentally sensitive areas. The Company intends to explore the applicability of this technique to the Canadian market, especially during the spring and summer break up season when well sites may be otherwise inaccessible for coiled tubing intervention.

WISE™ Patents – Status and Future Plans

The Company holds US and Canadian patents on its WISE II Coiled Tubing Unit, a trailer mounted onshore well intervention unit that combines two intervention functions plus a crane driven by a single power source. In addition, the Company holds a US patent for its WISE™ III CT Unit, which combines three intervention capabilities driven by a single power source. This patent protects a wide variety of configurations of a single unit performing coiled tubing, nitrogen, and fluid pumping functions.

The Company has also applied for international patent protection under the Patent Cooperation Treaty ("PCT"). The PCT is a treaty that provides a mechanism by which an applicant can file a single patent application that is equivalent to a regular patent filing in an adopting country (this is termed the "international phase"). There are currently over 180 countries that have adopted the PCT. The second stage, or "national phase", follows selection of those jurisdictions in which the applicant wishes to pursue a patent to conclusion. The Company is pursuing national phase patent filings in countries where the Company deems it necessary to support its intended joint venture activities.

The Company may from time to time file additional patent applications. The Company believes that the patenting of its technology in select jurisdictions outside of the US and Canada is a key component of its proposed joint venture activities and in building a strong enterprise value for the Company long term.

Cycles

The business of exploring for and producing oil and gas resources is cyclical, and the business of delivering well intervention services to oil and gas operators is influenced by these cycles. The Company is primarily focused on delivering intervention services to enhance production in existing, producing oil and gas wells, and thus is less affected by the cycles encountered in the exploration and development portion of the oil and gas industry (e.g. drilling and completion services). The Company believes that the market for its well intervention services is primarily driven by the volume of consumption of oil and gas supplies, and that this market is less subject to swings based on oil and gas commodity prices (unless the commodity price were to decline to a point where significant production is shut in by the producers rather than worked over to enhance its production).

Economic Dependence

Since the Company believes that the market for its well intervention services is primarily driven by the volume of consumption of oil and gas supplies, significant declines in economic activity that reduce consumption of oil and gas resources will have an impact on the Company's business. High commodity prices that reduce overall consumption may also affect the demand for the Company's services, although periods of high prices are usually indicative of higher demand for production enhancement services to boost the efficiency and extend the life of even marginal wells.

Changes to Contracts

The Company generally delivers its services to a variety of customers under the terms of Master Service Agreements, which provide the terms and conditions for the delivery of and payment for services, but which do not guarantee that the customer will call for any specific amount of work under the contract. As a result, the Company is not subject to any significant risk of cancellation of long-term contracts for work. This may change as the Company becomes more exposed to long-term contracts in international operations through its joint ventures.

Environmental Protection

See "Risk Factors" below.

Employees

As at December 31, 2006, the Company had a total of 118 full-time employees, 12 at corporate headquarters and 96 in the field.

Foreign Operations

All of the Company's operations and related assets are located in the United States, specifically in the Gulf Coast states of Texas, Louisiana, and Mississippi. All of the Company's operations are performed in this region and in offshore waters in the Gulf of Mexico. Although the Company is entirely dependent on its operations in the US it is planning to establish a market presence in other countries, including Canada, Mexico, and the Middle East.

Under a Memorandum of Understanding, the Company's operations will be expanded into the Middle East, beginning in Saudi Arabia and under the Grupo Term Sheet, the Company's operations will be expanded into Mexico. See "General Development of the Business – History" for a more detailed description of the Memorandum of Understanding and the Grupo Term Sheet.

RISK FACTORS

Risks Related to the Company and Its Business

Obtaining additional capital to fund the Company's operations and finance growth could impair the value of your investment

The Company's plan to deploy additional equipment is based on the availability of additional capital expenditure facilities or equipment leasing alternatives and the assumptions as to the terms thereof. If the Company expands more rapidly than currently anticipated or if working capital needs exceed current expectations, we may need to raise additional capital through public or private equity offerings or debt financings. If we cannot raise needed funds on acceptable terms, we may not be able to order and deploy the same level of equipment, develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. To the extent we raise additional capital by issuing equity securities, our shareholders may experience substantial dilution. In the event of issuance of our preferred shares, the preferred shares could be used, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company, which could have the effect of discouraging bids for the Company and thereby prevent shareholders from receiving the maximum value for their shares. A material shortage of capital may require us to take steps such as reducing our level of operations, disposing of selected assets or seeking an acquisition partner.

Operating Risk and Insurance

The Company has an insurance and risk management program in place to protect its assets, operations and employees. The Company also has programs in place to address compliance with current safety and regulatory standards. However, the Company's operations are subject to risks inherent in the oilfield services industry, such as equipment defects, malfunction, failures and natural disasters. In addition, hazards such as unusual or unexpected geological formations, pressures, blow outs, fires or other conditions may be encountered in servicing wells. Although such hazards are primarily the responsibility of the oil and natural gas companies which contract with the Company, these risks and hazards could expose the Company to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages.

Although the Company has obtained insurance against certain of the risks to which it is exposed which it considers adequate and customary in the oilfield services industry, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

The Company is dependent on certain key personnel

The Company and its subsidiaries are dependent on the services of several key personnel, including Philip Crawford, Chief Executive Officer and co founder, Chester Jachimiec, Executive Vice President and co founder, and Jaime Crawford, President of PETI and co founder. The loss of services of any of these individuals could impair the Company's ability to complete the domestic and international rollout of our products and services and could have a material adverse effect on the Company's business, financial condition, and results of operations.

Conflicts of Interest

Investors should be aware that some of the directors and officers of the Company are directors and officers of other private and public companies. Some of these private and public companies may, from time to time, be involved in business transactions or banking relationships which may create situations in which conflict may arise. Any such conflicts shall be resolved in accordance with the procedures and requirements of the relevant provisions of the *Business Corporations Act* (Alberta), including the duty of such directors and officers to act honestly and in good faith with a view to the best interests of the Company.

The rates charged by the Company for its services may decline over time, which would reduce revenues and adversely affect profitability

As the Company's business becomes more competitive, the Company may experience pressure to decrease the fees for our services, which could adversely affect our revenues and gross margin. If the Company is unable to sell our services at profitable prices, or if the Company fails to offer additional services that achieve sufficient profit margins, our revenue growth could slow and our business and financial results could suffer.

The market for coiled tubing and well services is intensely competitive

The Company's products and services compete with products and services offered by a number of other entities, many of which have long operating histories and are much better capitalized than the Company. The barriers to entry for coiled tubing services and businesses overall are relatively low considering that coiled tubing unit costs begin at about \$1 million, making it possible for new competitors to enter the market. However, the Company and its subsidiaries have obtained and are in the process of obtaining patents for our technology that would bar competitors from developing certain equipment that infringes on the key, patented aspects of our technology. Nevertheless, the Company expects that new competitors will enter our market in the future. The Company plans to protect our technology by defending our proprietary rights of ownership and seeking additional patents for specific aspects of our technology, but there is no guarantee that such additional patents will be issued.

Many of our existing and potential competitors have long operating histories in the coiled tubing and well services markets, greater name recognition, larger consumer bases and significantly greater financial, technical and marketing resources than we do. Some of our competitors may also be able to provide customers with additional benefits at lower overall costs in an effort to increase market share. The Company cannot be sure that it will be able to match cost reductions that may be implemented by our competitors. Our competitors and other companies may form strategic relationships with each other to compete with us. These relationships may take the form of strategic alliances, joint marketing agreements, licenses or other contractual arrangements, which arrangements may increase our competitors' ability to address customer needs with their product and service offerings. The Company

believes that there is likely to be consolidation in our prospective markets, which could lead to increased price competition and other forms of competition that could cause our business to suffer.

Products that the Company uses may contain design or manufacturing defects, which could result in reduced demand for the Company's services and liability claims against the Company

The Company uses products that are highly complex and may at times contain design or manufacturing errors or failures. The products are deployed in oil and gas fields and offshore rigs that can be dangerous environments. Defects in the units, whether caused by a design, manufacturing or component failure or error, may result in delayed delivery to customers or reduced or cancelled customer orders. In such a case, our business reputation may be impaired. In addition, these defects may result in liability claims against us. Any large product liability suits occurring early in our growth could have a material adverse effect on the Company's business, financial condition, and results of operations.

Vulnerability to Market Changes

Fixed costs, including costs associated with operating, leases, labour costs and depreciation will account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results.

Equipment and Technology Risks

The ability of the Company to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Company will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Company to do so could have a material adverse effect on the Company. No assurances can be given that competitors will not achieve technological advantages over the Company.

The Company's business relies in part on the use of proprietary intellectual property. The Company has obtained patent protection in respect of the WISE™ Technologies. In the future, the Company may seek additional patents or other similar protections in respect of particular tools, equipment and technology, however, the Company may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of the Company thereby adversely affecting the Company's competitive advantage in one or more of its businesses. Additionally, there can be no assurance that certain tools, equipment or technology developed by the Company may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to the Company's Acquisition Strategy

As an integral part of its business strategy, the Company will seek to expand by acquiring additional production enhancement related energy service companies. The timing, size and success of the Company's acquisition efforts and the associated capital commitments cannot be predicted. The Company expects to face competition for acquisition candidates, which may limit the number of acquisition opportunities available to the Company and may lead to higher acquisition prices. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or successfully integrate acquired businesses, if any, into the Company without substantial costs, delays or other operational or financial difficulties.

Acquisitions involve a number of additional risks, including failure of the acquired businesses to achieve expected results, diversion of management's attention and resources to acquisitions, failure to retain key customers or personnel of the acquired businesses and risks associated with unanticipated events, liabilities or contingencies. Client dissatisfaction or performance problems at a single acquired firm could negatively affect the reputation of the Company. Acquisitions will be accounted for as purchases and may result in substantial annual non cash amortization charges for goodwill and other intangible assets in the Company's statements of operations. If the Company is unable to acquire complementary energy service businesses on reasonable terms or successfully integrate and manage acquired companies, or if performance problems occur at acquired companies, there could be a material adverse effect on the Company.

Need for Additional Financing

The Company's acquisition strategy and equipment deployment strategy will require substantial capital. The Company intends to finance future acquisitions with cash flow from operations, through issuances of Common Shares, and through borrowings under credit facilities or advances under equipment lease facilities. The Company is exploring various lending alternatives to support such future acquisitions. Equipment credit facilities or leasing alternatives are being explored to assist in the financing of additional WISE™ units for internal growth and in conjunction with intended acquisitions. There can be no assurance that the Company will obtain these credit or leasing facilities on terms acceptable to the Company or that the Company will enter into any credit or leasing facility at all. In the event that the Company does not obtain a credit facility acceptable to the Company, it is possible that the Company's acquisition strategies or equipment deployment plans could be adversely affected.

Reliance on internally generated cash or debt to complete acquisitions could substantially limit the Company's operational and financial flexibility. The extent to which the Company will be able or willing to use equity to consummate acquisitions will depend on its market value from time to time and the willingness of potential sellers to accept it as full or partial payment. The use of Common Shares or other shares for this purpose may result in significant dilution to then existing shareholders. To the extent the Company is unable to use Common Shares or other shares to make future acquisitions, its ability to grow through acquisitions may be limited by the extent to which it is able to raise capital for this purpose through debt or additional equity financings. No assurance can be given that the Company will be able to obtain the necessary capital to finance a successful acquisition program or its other cash needs. If the Company is unable to obtain additional capital on acceptable terms, it may be required to reduce the scope of its presently anticipated expansion.

The Company's Assets are located outside of Canada

All of the Company's assets are currently located in the United States, although the Company plans on entering the Canadian market in 2007. The Company does not believe that this fact necessarily poses an increased risk of operation, but the Company will be subject to laws, regulations, tax rules and legal proceedings in two distinct jurisdictions, which may pose additional complexities in operating and managing the business.

Risks Related to the Industry in Which We Operate

We are subject to the cyclical nature of the oil and gas industry

Our business depends primarily on the level of activity of exploration and production companies in the US and Canada and on the willingness of our customers to make capital expenditures and budget for well service operations is critical to our operations. The levels of such expenditures are influenced by oil and

gas prices and industry perceptions of future prices, the cost of exploring for, producing and delivering oil and gas, the ability of oil and gas companies to generate capital, the discovery rate of new oil and gas reserves, and local and international political and economic conditions.

Although activity levels in production and development sectors of the oil and gas industry are less immediately affected by changing prices and as a result, are less volatile than the exploration sector, producers generally react to declining oil and gas prices by reducing expenditures. This has in the past adversely affected, and may in the future adversely affect, our industry. We are unable to predict future oil and gas prices or the level of oil and gas industry activity. A prolonged low level of activity in the oil and gas industry will adversely affect the demand for our products and services and our financial condition and results of operations.

Our industry is highly competitive

We will be competing in highly competitive areas of the oilfield services industry. The products and services of our industry segment are sold in highly competitive markets, and our revenues and earnings may be affected by the following factors: changes in competitive prices; fluctuations in the level of activity in major markets; general economic conditions; and governmental regulation. We will be competing with the oil and gas industry's largest integrated and independent oilfield service providers. We believe that the principal competitive factors in the market areas that we serve are price, product and service quality, availability, technical proficiency, demonstrable production enhancement and safety. Our operations may be adversely affected if our current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics than our products and services. Competitive pressures or other factors also may result in significant price competition that could have a material adverse effect on our results of operations and financial condition.

Dependence on Suppliers

The ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to equipment, parts and components. The Company has a Manufacturing Agreement in place with LSI to produce its WISE™ CT Units, which the Company believes contains favourable terms to the Company for cost of construction and delivery schedules. The inability of LSI to construct units under the Manufacturing Agreement for any reason could eliminate what the Company believes to be a competitive advantage in this regard. The Company is seeking to reduce this dependence by securing manufacturing contracts with alternative sources of components and/or manufacturers who can assemble the completed equipment units. Failure of LSI or other suppliers to deliver equipment, parts and components at a reasonable cost and in a timely manner would be detrimental to the Company's ability to maintain existing customers and expand its customer list. No assurances can be given that the Company will be successful in maintaining its required supply of equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program may be greater than anticipated by management, and may be greater than funds available to the Company, in which circumstance the Company may curtail or extend the timeframes for completing, its capital expenditure plans. This could have an adverse affect on the financial results of the Company.

Credit Risk

A substantial portion of the Company's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. The Company does not have

significant exposure to any individual customer other than five major independent oil and natural gas companies that accounted for approximately 34.14% of the revenue for the year ended December 31, 2006. The largest of these customers accounted for approximately 10.52% of revenues for the year, and no other customer made up more than 10% of the revenue for this period.

Environmental Liability

Our business is significantly affected by national and state or provincial laws and other regulations relating to the oil and gas industry and by changes in such laws and the level of enforcement of such laws. We are unable to predict the level of enforcement of existing laws and regulations, how such laws and regulations may be interpreted by enforcement agencies or court rulings, or whether additional laws and regulations will be adopted. We are also unable to predict the effect that any such events may have on us, our business, or our financial condition. In addition, demand for our services is affected by changing taxes, price controls and other laws and regulations relating to the oil and gas industry generally. The adoption of laws and regulations curtailing exploration, development and drilling for oil and gas in our areas of operations for economic, environmental or other policy reasons could also adversely affect our operations by limiting demand for our services. We also have potential environmental liabilities with respect to our offshore and onshore operations. Certain environmental laws provide for joint and several liabilities for remediation of spills and releases of hazardous substances. These environmental statutes may impose liability without regard to negligence or fault. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. We believe that our planned operations will substantially comply with applicable national and state or provincial pollution control and environmental protection laws and regulations with no material adverse effect on financial results. However, such environmental laws are changed frequently. Sanctions for non compliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. We are unable to predict whether environmental laws will materially adversely affect our future operations and financial results.

Our need to attract and retain skilled workers may impair growth potential and profitability

Our ability to remain productive and profitable will depend substantially on our ability to attract and retain skilled workers. Our ability to expand our operations is in part impacted by our ability to increase our labour force. The demand for skilled oilfield employees is high, and the supply is very limited. A significant increase in the wages paid by competing employers could result in a reduction in our skilled labour force, increases in the wage rates paid by us, or both. If either of these events occurred, our capacity and profitability could be diminished, and our growth potential could be impaired.

Weather Related Risks

As seen during the 2005 Hurricane season in the Gulf of Mexico, weather can have a significant impact on the ability to provide well intervention services in the area affected. The Company believes the combination of two very strong storms (Rita and Katrina) in the same area was an unusual occurrence. Although there were no hurricanes in the Gulf of Mexico in 2006, hurricanes affect the Company's business most years as crews and equipment are forced to evacuate manned platforms from the time the storms enter the Gulf of Mexico until they make landfall, disrupting revenues and adding costs of storm preparation and the potential risk of damage to equipment or injuries. Weather can also affect operations on land due to delays in projects, delays and increased costs of mobilization and other factors. Seasonal weather patterns and weather events common in other areas beyond the Gulf Coast are expected to adversely affect the Company as it expands into new geographic markets. The Company is also designing its new units to be deployable offshore or onshore within a turnaround time of less than a day. This will further reduce the Company's exposure to adverse weather conditions in the offshore markets.

DIVIDENDS

The Company has not paid dividends on its Common Shares for the year ended December 31, 2006 and does not expect to pay any dividends in the foreseeable future, other than the preferred dividends required to be paid on its Series A Preferred Shares, the first four quarterly instalments of which can be paid in kind (in additional shares of Series A Preferred Shares at the then effective Common Share market price). Any future payments of dividends will depend upon the financial condition, capital requirements and earnings of the Company as well as other factors it may deem relevant.

DESCRIPTION OF SHARE CAPITAL

General

The company is authorized to issue an unlimited number of Common Shares, Class B Shares, Class C Shares and Preferred Shares.

Common Shares

Holders of Common Shares are entitled to receive notice of and to attend at meetings of holders of Common Shares and to one vote for each Common Share held on all votes taken at such meetings. The holders of Common Shares are entitled to receive such dividends as the Company's directors may from time to time declare. In the event of the winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, the holders of Common Shares are entitled to the surplus assets of the Company and generally will be entitled to enjoy all of the rights attaching to shares of the Company.

Class B Shares

Holders of Class B Shares are entitled to all of the same rights and privileges as holders of Common Shares with respect to voting, entitlement to dividends and to distribution in the event of the winding-up or dissolution of the Company. At 4:30 p.m. (Calgary time) on the earlier of (i) one business day following the date upon which a receipt for a final prospectus qualifying the distribution of the Common Shares issuable upon conversion of the Class B Shares has been obtained from the Alberta Securities Commission; (ii) the business day following the date which is four (4) months from the date the Company becomes a reporting issuer or achieves similar status in any province or territory in Canada; and (iii) a Liquidity Event Transaction (as herein defined) (the "Class B Final Conversion Time"), all outstanding Class B Shares shall be deemed to be converted into Common Shares on the basis of one Common Share for each Class B Share (subject to adjustment), at no additional cost to and without further notice to, or action on the part of, the holder. If the Class B Final Conversion Time occurs later than 12 months after the first closing of the Private Placement, each Class B Share then outstanding shall be deemed to be converted at the Class B Final Conversion Time into one and one-fifth Common Shares, at no additional cost to and without further notice to, or action on the part of, the holder. A Liquidity Event Transaction means any initial public offering or other transaction following which the Common Shares are listed for trading on a recognized securities exchange in Canada, the United States or United Kingdom or any sale, exchange or arrangement of all of the Common Shares of the Company for, or the sale of all or substantially all of the assets of the Company in a transaction that results in the holders of Common Shares receiving for their Common Shares, consideration consisting of: (i) cash; (ii) securities which are not subject to resale restrictions (except for those applicable to "control persons") in British Columbia, Alberta and Ontario and are listed and posted for trading on the Toronto Stock Exchange, the TSX Venture Exchange (or any successor exchange thereof) or other recognized securities exchange in Canada, the United States or the United Kingdom; or (iii) a combination of cash and the securities

described in (ii). This prospectus qualifies the distribution of the Common Shares issuable on conversion of the issued and outstanding Class B Shares. The Class B Shares will convert into Common Shares on the first business day following the date upon which a receipt for this (final) prospectus is obtained.

Class C Shares

Holders of Class C Shares are entitled to all of the same rights and privileges as holders of Common Shares with respect to entitlement to dividends and to distribution in the event of the winding-up or dissolution of the Company, but are not entitled to vote such shares at meetings of the shareholders of the Company (except as otherwise specifically provided by law). Holders of Class C Shares shall be entitled, upon 75 days written notice to the Company, to convert such Class C Shares into Common Shares on the basis of one Common Share for each Class C Share. All of the outstanding Class C Shares have elected to convert their shares to Common Shares, which will be accomplished on May 15, 2007. The Company does not expect to issue any additional Class C Shares in the future.

Preferred Shares

The Preferred Shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the board of directors. Subject to the provisions of the ABCA, the board of directors may by resolution fix from time to time before the issue thereof the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Shares. Except as otherwise specifically provided by law and except as may be otherwise specifically provided in the provisions attaching to any series of Preferred Shares, the holders of Preferred Shares are not entitled to receive notice of or to attend or to vote at any meeting of shareholders.

The Company authorized a series of Preferred Shares entitled the "Series A 8% Cumulative, Non-voting Convertible Preferred Share". The Preferred Shares will pay quarterly cumulative dividends at a rate of 8% per year of the amount invested. The Company has the right to pay all or a portion of the first four quarterly dividends in kind in additional Preferred Shares at the equivalent Common Share value at the time of payment. Each Preferred Share is convertible at the option of the holder into one Common Share. The Company may force conversion of the Preferred Shares upon 30 days' notice if the average closing price of the Common Shares of the company on the Toronto Stock Exchange exceeds \$1.74 for a period of 10 consecutive trading days on which an average of 10,000 Common Shares have traded.

MARKET FOR SECURITIES

The outstanding Common Shares are traded on the TSX under the trading symbol "WIS". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSX for the periods indicated.

	High (\$)	Low (\$)	Volume (000's)
<u>2006</u>			
April ⁽¹⁾	2.25	1.75	800
May	1.90	1.50	532
June	1.62	1.04	329

	High (\$)	Low (\$)	Volume (000's)
<u>2006</u>			
July	1.59	1.14	690
August	1.90	1.40	291
September.....	1.45	1.19	98
October.....	1.40	0.97	227
November	1.35	1.10	190
December.....	1.27	0.91	277
 <u>2007</u>			
January.....	1.19	0.86	201
February.....	1.24	0.97	227
March	1.10	0.86	172

(1) The Common Shares commenced trading on the TSX on April 19, 2006.

PRIOR SALES

As of March 26, 2007, there were 38,297,784 Class C Shares and 6,666,667 Preferred Shares issued and outstanding.

In September 2006, the Company issued 2,385,063 Class C Shares to sellers of PET in settlement of the final purchase price pursuant to the PET Acquisition Agreement. The Class C shares were valued at \$2.00 per share.

On March 5, 2007 the Company completed a private placement of 6,666,667 Units priced at \$0.87 per Unit, for a total value of up to \$5.8 million. Each Unit was comprised of one Preferred Share and three quarters of one common share purchase warrant.

ESCROWED SECURITIES

Designation of Class	Number of Securities held in Escrow	Percentage of Class
Common Shares ⁽¹⁾	781,811	4.8%
Class C Shares ⁽¹⁾	17,762,590	46.4%

Notes:

- (1) As at December 31, 2006.
- (2) Olympia Trust Company is the escrow agent for the Common Shares and Class C Shares. The escrow was established to comply with TSX regulations at the time of the Company's initial public offering to hold the shares of certain

insiders. Twenty-five percent (25%) of the initial escrowed shares were released on the closing of the IPO on April 19, 2006 and another twenty five-percent (25%) were released on October 19, 2006. The current balance will be released in two equal installments on April 19, 2007 and October 19, 2007. In addition to this escrow, all shares received in consideration of the sale to the Company of PET and A to Z are subject to contractual agreements prohibiting the sale of such shares before January 1, 2008.

EXECUTIVE OFFICERS AND DIRECTORS

Executive Officers

The following table provides the names and municipalities of residence of the Company's executive officers as well as their positions with the Company and principal occupations for the previous five years.

<u>Name and Municipality of Residence</u>	<u>Position Held</u>	<u>Principal Occupation in the Past Five Years</u>
Philip C. Crawford Houston, Texas	President and Chief Executive Officer of the Company	President and Chief Executive Officer of PETI since 2004; Chief Executive Officer of PET and A to Z since December, 2005; Co-founder and Chief Executive Officer of IIBEX Holdings, Inc. and its predecessor IIBEX Ltd. since 2002; Founder, President and Chief Executive Officer of EPICentrix Technologies, Inc. from 1997 to 2002.
Chester J. Jachimiec Houston, Texas	Executive Vice President, Finance and Acquisitions and Assistant Secretary of the Company	Executive Vice President of WWIS since 2004; Secretary and Director of PET and A to Z since December, 2005; President of IIBEX Holdings, Inc. and its predecessors since June 2005; President of SPI Petroleum LLC and its predecessors from 2001 to 2005; Senior Vice President of Encompass Service Corporation and its predecessors from 1996 to 2001.
Andrew D. Grasby Calgary, Alberta	Corporate Secretary of the Company	Partner with McCarthy Tétrault LLP.
Jaime B. Crawford Lafayette, Louisiana	President of WWSI	President, Director and co-founder of PET since 2002; President and Director of A to Z since December, 2005; President of WWSI since 2004; Vice President of Production Services at AMBAR Production Services from 1996 to 2002; Inventor of WISE patented multifunction coiled tubing technology.
Alice Jackson, CPA, SVP Houston, Texas	Senior Vice President, Chief Financial Officer	Diverse background in public accounting and industry and has held a number of senior management positions, with an emphasis on building financial, accounting, and administrative infrastructure; Previous senior management roles include Chief Financial Officer for Insite Objects, Inc., and Mincron Software; Certified public accountant with more than 12 years experience in auditing, SEC compliance, and reporting for international public accounting firms.

Directors

The Company has a board of directors currently consisting of 7 individuals. The directors are elected by the Company, at the direction of shareholders by ordinary resolution, and hold office until the next annual meeting of the Company, which will be held on May 14, 2007.

The following table provides the names and municipalities of residence of the Company's directors as well as their offices held with the Company, the date they were first appointed to the Company's board of directors and their principal occupation for the previous five years.

Name and Municipality of Residence	Current Positions and Offices Held	Principal Occupation in the Past Five Years	Director Since
Philip C. Crawford Houston, Texas	Director, President and Chief Executive Officer of the Company	President and Chief Executive Officer of PETI since 2004; Chief Executive Officer of PET and A to Z since December, 2005; Co-founder and Chief Executive Officer of IIBEX Holdings, Inc. and its predecessor IIBEX Ltd. since 2002; Founder, President and Chief Executive Officer of EPICentrix Technologies, Inc. from 1997 to 2002.	November 21, 2005
Chester J. Jachimiec Houston, Texas	Director, Executive Vice President, Finance and Acquisitions of the Company	Executive Vice President of WWSI since 2004; Secretary and Director of PET and A to Z since December, 2005; President of IIBEX Holdings, Inc. and its predecessors since June 2005; President of SPI Petroleum LLC and its predecessors from 2001 to 2005; Senior Vice President of Encompass Service Corporation and its predecessors from 1996 to 2001.	November 21, 2005
Jaime B. Crawford Lafayette, Louisiana	Director of the Company, President of WWSI	President, Director and co-founder of PET since 2002; President and Director of A to Z since December, 2005; President of WWSI since 2004; Vice President of Production Services at AMBAR Production Services from 1996 to 2002; Inventor of WISE patented multifunction coiled tubing technology.	November 24, 2005
Edward R. Lamb ⁽¹⁾⁽²⁾ Lafayette, Louisiana	Director of the Company	Chief Executive Officer, co-founder and a Director of PET since 2002; President of Tong Specialty since 2003; President of Lamb Services, Inc. since 1988.	November 24, 2005
Clifford E. McFarland ⁽¹⁾⁽²⁾⁽³⁾ Houston, Texas	Director of the Company	Co-founder, Director and Vice President of IIBEX Ltd. from 2003 to 2005; Founder and President of McFarland, Grossman & Company, Inc., since 1992; Director of Teletouch Communications Inc. and Progressive Concepts Communications, Inc.	November 24, 2005

Name and Municipality of Residence	Current Positions and Offices Held	Principal Occupation in the Past Five Years	Director Since
C. Lal Narang ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta	Director of the Company	Chairman of Canex Energy Inc. from 1997; Founding shareholder and director, President, Chief Executive Officer and Chief Financial Officer of Canex Energy Inc. since 1996; President of Capital Leasing Investment Corp.; Director of Rogers Associate Financial Partners Inc. and CPVC Blackcomb Inc.	November 21, 2005
Andre Brosseau Toronto, Ontario	Director of the Company	Deputy Chairman and President of Loewen, Ondaatje, McCutcheon Limited, a privately owned investment bank with its head office in Toronto, Canada; executive positions at CIBC World Markets, including Head of Canadian Cash Equities and Co-Head of Global Cash Equities, Co-Head of Canadian Equities, and Head of Canadian Sales and Trading; Director of Kangaroo Media Inc. and Aptilon Inc.	October 21, 2006

Notes:

- (1) Member of Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.

All of the Company’s directors’ terms of office will expire at the earliest of their resignation, the close of the next annual shareholder meeting called for the election of directors, or on such other date as they may be removed according to the ABCA.

As of March 26, 2007, the directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 37,862,542 Class C Shares, representing 99% of the issued and outstanding Class C Shares and 1,158,909 Common Shares, representing 6% of the issued and outstanding Common Shares. Class C Shares will be converted into Common Shares on May 14, 2007. Assuming conversion of the Class C Shares, the directors and officers of the Company will beneficially own 70% of the Common Shares.

Conflicts of Interest

Investors should be aware that some of the directors and officers of the Company are directors and officers of other private and public companies. Some of these private and public companies may, from time to time, be involved in business transactions or banking relationships which may create situations in which conflict may arise. Any such conflicts shall be resolved in accordance with the procedures and requirements of the relevant provisions of the *Business Corporations Act* (Alberta), including the duty of such directors and officers to act honestly and in good faith with a view to the best interests of the Company. See “Interests of Management and Others in Material Transactions”.

Audit Committee

Composition of the Audit Committee

The board of directors has an Audit Committee. The members of the Audit Committee are Messrs. Narang, Lamb and McFarland. The Chairman of the Audit Committee is Mr. Narang, an independent director. Each of Messrs. Narang and McFarland are considered “independent” and all members are “financially literate” (as such terms are defined in Multilateral Instrument 52-110).

Audit Committee Charter

The Company’s board of directors have adopted a Charter for the Audit Committee which sets out the Committee’s mandate, organization, powers and responsibilities. The complete Charter is attached as Schedule “A” to this Circular.

Relevant Education and Experience

The education and experience of each of the present Audit Committee members as well as those as at the most recently completed financial year that is relevant to the performance of his responsibilities as an audit committee member is as follows:

C. Lal Narang

Mr. Narang has been Chairman of Canex Energy Inc. since 1997. He is a founding shareholder and director, President, Chief Executive Officer and Chief Financial Officer of Canex Energy Inc. (since 1996). He also serves as President of Capital Leasing Investment Corp. and as a Director of Rogers Associate Financial Partners Inc. and CPVC Blackcomb Inc.

Edward R. Lamb

A lifelong entrepreneur, Mr. Lamb has formed five successful oilfield service companies and has more than 25 years business experience. He was co-founder and president of Production Enhancement Technology LLC and a founder and Chairman of P.E.T. International, Inc. Mr. Lamb also was co-inventor of two patents on coiled tubing and nitrogen units which are the basis of the Company’s current business. He has served as President of Lamb Services LLC (since 1988), a company he founded, and was founder and President of Tong Specialty LLC, an oilfield service company that provided tubing and casing running services to Production Enhancement Technology LLC (since 2002).

Clifford McFarland

Mr. McFarland is the founder and President of McFarland, Grossman & Company, Inc., since 1992 and was co-founder, Director and Vice President of IIBEX Ltd. He currently serves as a Director for Teletouch Communications Inc. and Progressive Concepts Communications, Inc.

Audit Committee Oversight

Since the commencement of the Company’s most recently completed financial year, the recommendations of the Audit Committee to nominate or compensate external auditors have been adopted by the Company’s board of directors.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Charter.

External Auditor Service Fees

The fees paid to the Company's external auditor in each of the last two fiscal years are as follows:

Financial Year Ending	Audit Fees ⁽¹⁾	Audit-Related Fees⁽²⁾	Tax Fees ⁽³⁾	All Other Fees⁽⁵⁾
December 31, 2006	\$42,900	\$7,900	\$5,600	\$213,800
December 31, 2005 ⁽⁴⁾	\$36,800	-	\$18,700	-

Notes:

- (1) The aggregate fees billed by the Company's auditor for audit fees.
- (2) The aggregate fees billed for assurance and related services by the Company's auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the "Audit Fees" column.
- (3) The aggregate fees billed for professional services rendered by the Company's auditor for tax compliance, tax advice, and tax planning.
- (4) As the acquisition of the Company and PETI was accounted for using the reverse takeover rules of accounting, all December 31, 2005 information is that of PET.
- (5) Other fees relate to fees from the initial public offering of the Company, acquisitions and the review of the quarterly statements.

LEGAL PROCEEDINGS

The Company, through its subsidiary, WWSI, is a defendant in litigation arising from the normal course of business involving a breach of contract. The opinion of management is that this lawsuit is without merit and the Company intends to vigorously defend itself against this claim. Defence of this suit is in the preliminary stages and while no probable outcome can be determined at this time, management believes the Company will be successful in defending this claim. Accordingly, no estimated loss provision has been made in the accompanying financial statements. Parties to the original suit, which was filed on November 3, 2005, were the litigant, Pioneer Exploration, Ltd., and defendants PET, Jaime B. Crawford, Christopher K. Crawford, Edward R. Lamb and PEGI. Pioneer Exploration claimed damages in excess of US\$7,898,295. PEGI has since been dismissed as a defendant in the lawsuit. The suit is in the District Court of Harris County Texas, 157TH Judicial District.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below, there are no material interests, direct or indirect, of directors, senior officers, any shareholders who beneficially own, directly or indirectly, more than 10% of the Company's outstanding Common Shares (on a fully diluted basis), or any known associates or affiliates of such persons, in any transaction within the last three years or in any proposed transaction which has materially affected or will materially affect the Company:

- (a) Legal fees related to the Company's initial public offering and subsequent transactional activities are charged by McCarthy Tétrault LLP, the law firm at which the Corporate Secretary is a partner. For the twelve months ended December 31, 2006 these legal fees totalled US \$357,217 and there was an outstanding balance at December 31, 2006 of US \$799.

- (b) The Company previously entered into an advisory board chairman and consulting agreement pursuant to which James R. Crawford, a family member of two senior executives, was paid \$48,425 during the twelve month period ended December 31, 2006.
- (c) Manufacturing Agreement between PETI and Lamb Services, Inc. (“LSI”) dated December 14, 2004, whereby PETI must cause its WISE™ CT Units to be constructed by LSI. LSI is owned by Edward R. Lamb, a controlling shareholder and director of the Company. Equipment purchases, equipment rental and equipment repairs of US \$3,405,028 were recorded during the twelve-month period ended December 31, 2006 to LSI. The rentals are based on usage and all transactions are competitive with arms-length third party charges. There was an outstanding balance at December 31, 2006 of US \$306,278.
- (d) Outsourcing MIS Agreement between PETI and BAMEL, Inc. (“BAMEL”) dated December 14, 2004 whereby the Company is outsourcing certain software and system technology development and support functions to BAMEL, a company controlled by Mr. Philip C. Crawford, a director, indirect controlling shareholder and the President and Chief Executive Officer of the Company. On December 14, 2004, WWSI signed an agreement with BAMEL (now, EpiCentrix LLC), a software supplier controlled by a director and officer of the Company, to purchase a US \$250,000 license for the operation of a global support center for the WISE™ CT Units in the field, a user contract at US \$1,500 per month per CT Unit, a per CT Unit installation fee of US \$75,000 and customization costs based on established rates per hour. This agreement became effective upon the Closing of the Company’s initial public offering for an initial period of three years. The agreement has been expanded in 2006 to include other outsourcing services. The contract will be automatically renewed for successive one year terms unless either party gives notice of termination within the time period specified in the agreement. Computer consulting and services totalling US \$614,474 were recorded during the twelve-month period ending December 31, 2006 to this company. There was an outstanding balance at December 31, 2006 of US \$364,474.
- (e) The company leases real property for its facility in Lafayette, Louisiana, from Strategic Endeavors LLC, a company controlled by Edward R. Lamb, a controlling shareholder and director of the Company. For the twelve months ended December 31, 2006, US \$125,537 was recorded and a balance of US \$7,039 remained at December 31, 2006.
- (f) Final payment for consulting services in the amount of US \$7,000 was paid in January 2006 to Crawford Consulting LLC, a company controlled by Jamie B. Crawford, a board member and officer of the Company.

All of the above related party transactions are recorded at agreed to exchange amounts that represent fair value.

PROMOTERS

Messrs. Philip Crawford and Chester Jachimiec may be considered to be the promoters of the Company in that they took the initiative in founding and organizing the business of the Company.

TRANSFER AGENTS AND REGISTRARS

The registrar and transfer agent for the Company's Common Shares is Olympia Trust Company at its principal office in Calgary, Alberta.

MATERIAL CONTRACTS

Set out below are agreements that may be considered material to the Company:

1. Nitrogen Agreement. See "General Development of the Business – History".
2. Memorandum of Understanding. See "General Development of the Business – History".
3. Grupo Term Sheet. See "General Development of the Business – History".
4. Deposits.
 - (a) The Company has made deposits in the amount of US \$136,342 toward the purchase of equipment to be delivered in February and March of 2007. The balance due on delivery is estimated to be US \$180,671. The Company also has placed deposits totalling US \$824,841 for two new multifunction CT Units. The estimated delivery is May 2007 and the remaining balance is estimated to be US \$1,400,000.
 - (b) The Company also made a deposit of US \$105,650 for two large capacity reels. The remaining balance of US \$105,650 is due upon delivery.
5. The Lease Agreement. "General Development of the Business – History".

INTERESTS OF EXPERTS

Deloitte & Touche LLP, Chartered Accountants, are the Company's auditors and as such have prepared an opinion with respect to the Company's consolidated financial statements as at and for the fiscal year-ended December 31, 2006. Deloitte & Touche LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta. The principals of Deloitte & Touche LLP, individually or as a group, neither own nor expect to receive any of the Company's securities, directly or indirectly. BDO Dunwoody, LLP was the Company's auditor for fiscal year ending December 31, 2005 and prepared or certified certain statements and reports during the fiscal year ending December 31, 2006. Deloitte & Touche LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta. The principals of Deloitte & Touche LLP, individually or as a group, neither own nor expect to receive any of the Company's securities, directly or indirectly.

ADDITIONAL INFORMATION

Additional financial information is available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on our website at www.productionenhancement.com.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the issuer's securities, options to purchase securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in our information circular in respect of the annual and special meeting of shareholders to be held on May 14, 2007. Additional financial information

is provided in our comparative financial statements and management's discussion and analysis for our most recently completed financial year ended December 31, 2006.

For additional copies of this annual information form please contact:

Production Enhancement Group, Inc.
17225 El Camino Real, Suite 250
Houston, Texas
77058 2768

SCHEDULE “A”- AUDIT COMMITTEE CHARTER

I. The Board of Directors’ Mandate for the Audit Committee

1. *The Board of Directors* (“Board”) has responsibility for the stewardship of Production Enhancement Group, Inc. (the “Company”). To discharge that responsibility, the Board is obligated by the Canada Business Corporations Act to supervise the management of the business and affairs of the Company. The Board’s supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Company’s business and affairs.

Public financial reporting and disclosure by the Company are fundamental to the Company’s business and affairs and to its status as a publicly listed enterprise. The objective of the Board’s monitoring of the Company’s financial reporting and disclosure is to gain reasonable assurance of the following:

- (a) that the Company complies with all applicable laws, regulations, rules, policies and other requirement of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting principles, significant judgements and disclosures which underlie or are incorporated in the Company’s financial statements are appropriate in the prevailing circumstances;
- (c) that the Company’s quarterly and annual financial statements are accurate within a reasonable level of materiality and present fairly the Company’s financial position and performance in accordance with generally accepted accounting principles; and
- (d) that appropriate information concerning the financial position and performance of the Company is disseminated to the public in a timely manner in accordance with corporate and securities law and with stock exchange regulations.

The Board is of the view that monitoring of the Company’s financial reporting and disclosure policies and procedures cannot be reliably met unless the following activities (“the Fundamental Activities”) are, in all material respects, conducted effectively:

- (i) the Company’s accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Company’s financial transactions;
- (ii) the internal financial controls are regularly assessed for effectiveness and efficiency;
- (iii) the Company’s quarterly and annual financial statements are properly prepared by management to comply with GAAP;
- (iv) the Company’s quarterly and annual financial statements are reported on by an external auditor appointed by the shareholders of the Company.

To assist the Board in its monitoring of the Company's financial reporting and disclosure and to conform to applicable corporate and securities law, the Board has established the Audit Committee (the "Committee") of the Board.

2. ***Composition of Committee***

- (a) The Committee shall be appointed annually by the Board and consist of at least three members from among the directors of the Company, each of whom shall be an independent director. Officers of the Company, who are also directors, may not serve as members of the Audit Committee;
- (b) The Board shall designate the Chairman of the Committee;
- (c) In the event of a vacancy arising in the Committee or a loss of independence of any member, the Committee will fill the vacancy within six months or by the following annual shareholders' meeting if sooner.

3. ***Reliance on Experts***

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

- (a) financial statements of the Company represented to him by an officer of the Company or in a written report of the external auditors to present fairly the financial position of the Company in accordance with generally accepted accounting principles; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. ***Limitations on Committee's Duties***

In contributing to the Committee's discharging of its duties under Terms of Reference, each member of the Company shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in these Terms of Reference is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to *endeavor to* gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the objectives of the Company's financial reporting are being met and to enable the Committee to report thereon to the Board.

II. Audit Committee Terms of Reference

The Audit Committee's Terms of Reference outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. Terms of Reference reflect the following:

- Operating Principles;
- Operating Procedures;
- Specific Responsibilities and Duties.

A. *Operating Principles*

The Committee shall fulfill its responsibilities within the context of the following principles:

1) **Committee Values**

The Committee expects the management of the Company to operate in compliance with corporate policies; reflecting laws and regulations governing the Company; and to maintain strong financial reporting and control processes.

2) **Communications**

The Committee and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditors, and other key Committee advisors or Company staff members as applicable.

3) **Financial Literacy**

All Audit Committee Members should be sufficiently versed in financial matters to read and understand the Company's financial statements and also to understand the Company's accounting practices and policies and the major judgements involved in preparing the financial statements.

4) **Annual Audit Committee Work Plan**

The Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee work plan responsive to the Committee's responsibilities as set out in these Terms of Reference. In addition, the Committee, in consultation with management and the external auditors, shall participate in a process for review of important financial topics that have the potential to impact the Company's financial disclosure.

The work plan will be focused primarily on the annual and interim financial statements of the Company; however, the Committee may at its sole discretion, or the discretion of the Board, review such other matters as may be necessary to satisfy the Committee's Terms of Reference.

5) **Meeting Agenda**

Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.

6) **Committee Expectations and Information Needs**

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at a reasonable time in advance of meeting dates.

7) **External Resources**

To assist the Committee in discharging its responsibilities, the Committee may at its discretion, in addition to the external auditors, at the expense of the Company, retain one or more persons having special expertise, including independent counsel.

8) **In Camera Meetings**

At the discretion of the Committee, the members of the Committee shall meet in private session with the external auditors.

9) **Reporting to the Board**

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

10) **Committee Self Assessment**

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

11) **The External Auditors**

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall report directly to and be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues, either specific to the Company or to the financial reporting environment in general, to the Committee.

B. ***Operating Procedures***

- 1) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee or at the request of the external auditors.
- 2) A quorum shall be a majority of the members.
- 3) Unless the Committee otherwise specifies, the Secretary (or his or her deputy) of the Company shall act as Secretary of all meetings of the Committee.
- 4) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
- 5) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Company in a timely fashion.

C. ***Specific Responsibilities and Duties***

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting

- 1) Review, prior to public release, the Company's annual and quarterly financial statements with management and the external auditors with a view to gaining reasonable assurance that the statements (i) are accurate within reasonable levels of materiality, (ii) complete, (iii) represent fairly the Company's financial position and performance in accordance with GAAP. The Committee shall report thereon to the Board before such financial statements are approved by the Board;

- 2) Receive from the external auditors reports of their review of the annual and quarterly financial statements;
- 3) Receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;
- 4) Review, prior to public release, and, if appropriate, recommend approval to the Board, of news releases and reports to shareholders issued by the Company with respect to the Company's annual and quarterly financial statements;
- 5) Review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents to be issued by the Company; and
- 6) Review and validate procedures for the receipt, retention and resolution of complaints received by the Company from any party regarding accounting, auditing or internal controls. For greater certainty, the Committee's responsibilities in this area will not include complaints about minor operational issues. (Examples of minor operational issues include late payment of invoices, minor disputes over accounts owing or receivable, revenue and expense allocations and other similar items characteristic of the normal daily operations of the accounting department of an oil and gas company.)

Accounting Policies

- 1) Review with management and the external auditors the appropriateness of the Company's accounting policies, disclosures, reserves, key estimates and judgements, including changes or variations thereto.
- 2) Obtain reasonable assurance that they are in compliance with GAAP from management and external auditors and report thereon to the Board;
- 3) Review with management and the external auditors the apparent degree of conservatism of the Company's underlying accounting policies, key estimates and judgements and provisions along with quality of financial reporting.
- 4) Participate, if requested, in the resolution of disagreements, between management and the external auditors.
- 5) Review with management the categorization of flow-through expenditures and the qualification of such expenditures to satisfy the Company's existing obligations.

Risk and Uncertainty

- 1) Acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Company, determine the Company's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - (a) reviewing with management the Company's tolerance for financial risks;
 - (b) reviewing with management its assessment of the significant financial risks facing the Company;

- (c) reviewing with management the Company's policies and any proposed changes thereto for managing those significant financial risks;
 - (d) reviewing with management its plans, processes and programs to manage and control such risks.
- 2) Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
 - 3) Review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
 - 4) Review the adequacy of insurance coverages maintained by the Company;
 - 5) Review regularly with management, the external auditors and the Company's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company and the manner in which these matters have been disclosed in the financial statements.

Financial Controls and Control Deviations

- 1) Review the plans of the external auditors to gain reasonable assurance that the evaluation and testing of applicable internal financial controls is comprehensive, coordinated and cost-effective;
- 2) Receive regular reports from management and the external auditors on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto;
- 3) Institute a procedure that will permit any employee, including management employees, to bring to the attention of the Board, under conditions of confidentiality, concerns relating to financial controls and reporting which are material in scope and which cannot be addressed, in the employee's judgement, through existing reporting structures in the Company;
- 4) Review, and periodically assess the adequacy of controls over financial information disclosed to the public, which is extracted or derived from the Company's financial statements.

Compliance with Laws and Regulations

- 1) Review regular reports from management and others (e.g. external auditors) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:
 - (a) tax and financial reporting laws and regulations;
 - (b) legal withholding requirements;
 - (c) other laws and regulations which expose directors to liability;
- 2) Review the filing status of the Company's tax returns, flow-through share renunciation filings and those of its subsidiaries.

Relationship with External Auditors

- 1) Recommend to the Board the nomination of the external auditors;
- 2) Approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter;
- 3) Review the performance of the external auditors annually or more frequently as required;
- 4) Receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
- 5) Receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Company;
- 6) Review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, and the materiality levels which the external auditors propose to employ;
- 7) Meet with the external auditors in the absence of management to determine, inter alia, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
- 8) Establish effective communication processes with management and the Company's external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee; and
- 9) Establish a reporting relationship between the external auditors and the Committee such that the external auditors can bring directly to the Committee matters that, in the judgement of the external auditors, merit the Committee's attention. In particular, the external auditors will advise the Committee as to disagreements between management and the external auditors regarding financial reporting and how such disagreements were resolved.

Other Responsibilities

- 1) Approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;
- 2) After consultation with the Chief Financial Officer and the external auditors, consider at least annually, of the quality and sufficiency of the Company's accounting and financial personnel and other resources;
- 3) Approve in advance non-audit services, including tax advisory and compliance services, provided by the external auditors. However, the Committee can establish a threshold amount for fees for non-audit services to be provided by the external auditors without advance approval of the Committee. The nature of such services and the associated cost will be provided to the Committee at the next following meeting.
- 4) Investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- 5) Perform such other functions as may from time to time be assigned to the Committee by the Board.
- 6) Review and update the Terms of Reference on a regular basis for approval by the Board; and

- 7) The Committee will review disclosures regarding the organization and duties of the Audit Committee to be included in any public document, including quarterly and annual reports to shareholders, information circulars and annual information forms.