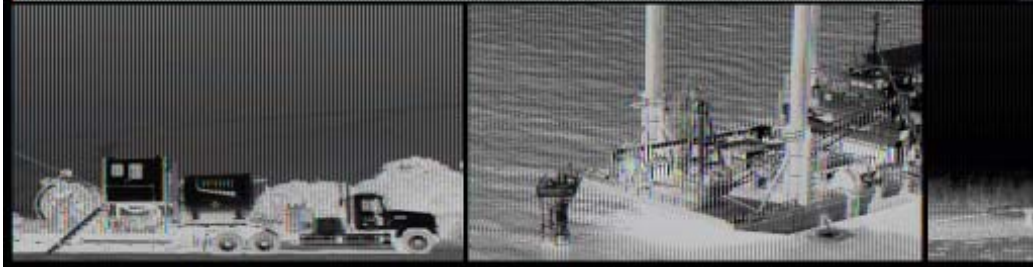


Production Enhancement Group, Inc.
TSX: WIS



WISE® Well Intervention Systems:
Faster, Safer, Economical
Offshore, Onshore, In-Between

THINK MODULAR
THINK MULTIFUNCTIONAL®



PRODUCTION ENHANCEMENT GROUP, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2008

August 13, 2008

MANAGEMENTS' DISCUSSION AND ANALYSIS ("MD&A")

The following interim Management Discussion and Analysis ("MD&A") of financial results of Production Enhancement Group, Inc. ("PEG," or the "Company") for the three and six months ended June 30, 2008 should be read in conjunction with the unaudited consolidated financial statements of the Company for the three and six months ended June 30, 2008 and the audited annual consolidated financial statements and related notes and the MD&A in the Company's Annual Report for the period ended December 31, 2007 and is based on information available to August 13, 2008. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additional information is also available on the Company's website (www.productionenhancement.com) and all previous public filings are available through SEDAR (www.sedar.com). The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Notes referred to herein relate to the June 30, 2008 unaudited consolidated financial statements.

The Company has adopted the United States dollar ("USD") as its reporting currency as the vast majority of current operations are located in the United States. All numbers are in United States dollars unless otherwise detailed as "CAD" for Canadian dollars.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Information which is contained in this MD&A contains estimates and assumptions which management is required to make concerning future events, and may constitute forward-looking statements under applicable securities laws. Forward-looking statements include plans, expectations, estimates, forecasts and other comments that are not statements of fact. The words "believe", "expect", "plan", "intend", "estimate", "will", "could", "may", "anticipate", "outlook" and similar expressions and statements relate to matters that are not historical facts including, but not limited to, information as to future capital expenditures, including the amount and nature thereof; expansion and other development trends of the oil and gas industry, improvement in day rates, business strategy, as well as the expansion and growth of the Company's business and operations, including its market share and other such matters.

By their very nature, such forward-looking statements require the Company to make assumptions, and involve inherent risks and uncertainties, both general and specific. There is significant risk that express or implied projections contained in such statements will not materialize or will not be accurate. A number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Such differences may be caused by factors, many of which are beyond the Company's control, which include, but are not limited to, the level of operations carried on by PEG's customers, oil and gas prices, weather conditions in offshore and land markets including natural disasters, availability of capital, access to current or future financing arrangements, manufacturing cycles of new equipment, the effects of competition in the markets in which the Company operates, difficulty in continuing to develop, produce and commercialize technologically advanced services, availability of human resources and the Company's success in anticipating and managing the foregoing risks. The preceding list is not comprehensive, and as such, investors and others who rely on these statements should consider the above factors as well as the uncertainties they represent and the risk they entail. Additional information regarding the risks and uncertainties significant to the Company are provided in the Company's most recently filed Annual Information Form ("AIF").

Consequently, all of the forward-looking information contained in this MD&A is qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences in relation to or effects on the Company or its business operations. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this MD&A or otherwise, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

Forward-looking statements and information are based on current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies and regulatory developments. Although management of the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

NON-GAAP MEASURES

This MD&A contains the term Earnings Before Interest, Taxes, Depreciation and Amortization and Stock Based Compensation ("EBITDAS") which should not be considered an alternative to, or more meaningful than "net income" or "cash flow from operating activities" as determined in accordance with Canadian GAAP as an indicator of the Company's financial performance. This term does not have any standardized meaning as prescribed by Canadian GAAP and therefore, the Company's determination of EBITDAS may

not be comparable to that reported by other companies. However, the Company calculates EBITDAS consistently for each reporting period. EBITDAS is calculated from the consolidated statements of operations and retained earnings (deficit) as gross margin less selling, general and administrative expenses, excluding stock based compensation. The Company evaluates its performance based on EBITDAS. The Company considers EBITDAS to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments.

OVERVIEW OF BUSINESS

The Company and its wholly owned subsidiaries, WISE Well Intervention Services, Inc., a Nevada corporation ("WWIS"), WISE Well Intervention Technologies, Inc., a Texas corporation ("WWIT") and 1314235 Alberta Ltd, which in turn owns one hundred percent (100%) of WISE Well Intervention Services, Inc, an Alberta corporation (formerly Dyna Star Energy Services Ltd.) ("WISE Alberta"), provide oil and natural gas well services. WWIS provides specialized coiled tubing ("CT"), pressure pumping, nitrogen, downhole tools and wireline services to oil and gas producers and operators in Texas, Louisiana, Mississippi, and the inland and offshore waters of the Gulf of Mexico. In April, 2008, the Company was awarded a one-year (plus) contract to provide primary and secondary cementing as well as stimulation services to Belize Natural Energy Limited ("BNE"). WWIS commenced operations in Belize in May, 2008. The WISE Alberta transaction, which closed on April 27, 2007, was intended to provide CT services to western Canada. WWIT was incorporated on August 9, 2007 to commercialize the Company's proprietary technology, but has not had any significant operations to date. In January 2008, the Company announced that it had closed some of its field offices, including its Canadian operations that were headquartered in Brooks, Alberta. This was done in an effort to streamline operations, improve cash flow and reduce costs. The Canadian operations are presented in the accompanying 2008 and 2007 consolidated financial statements as discontinued operations.

SELECTED FINANCIAL INFORMATION ^{(1), (2), (3)}

		Three months ended			Six months ended		
		June 30,			June 30,		
		2008	2007	% Change	2008	2007	% Change
Revenue	⁽¹⁾	\$ 10,073,460	\$ 8,624,817	17%	\$ 18,190,173	\$ 16,456,992	11%
EBITDAS	⁽²⁾	(1,150,887)	812,403	-242%	(1,764,456)	1,738,036	-202%
ADJ EBITDAS	⁽³⁾	630,351	812,403	-22%	16,782	1,738,036	-99%
Loss before income taxes		(8,967,289)	(1,149,874)	680%	(13,102,239)	(1,679,696)	680%
Net loss from continuing operations		(9,044,556)	(1,149,874)	687%	(13,179,506)	(1,679,696)	685%
Loss from discontinued operations		(36,321)	(205,093)	0%	(158,064)	(205,093)	0%
Loss per share from continuing operations (basic and diluted)		(0.12)	(0.02)	503%	(0.19)	(0.03)	529%
Loss per share from discontinued operations (basic and diluted)		0.00	-	0%	0.00	-	0%
Total assets		\$ 50,978,237	\$ 45,408,916	12%	\$ 50,978,237	\$ 45,408,916	12%
Notes and short term debt		\$ 36,378,549	\$ 22,198,677	64%	\$ 36,378,549	\$ 22,198,677	64%
Number of common shares outstanding:							
Weighted average (basic and diluted)		73,338,300	56,185,200	31%	69,869,214	56,541,903	24%

(1) WISE Alberta was classified as loss from discontinued operations in the financial statements.

(2) EBITDAS means earnings from continuing operations before interest, taxes, depreciation and amortization and stock based compensation. Readers are cautioned that EBITDAS is generally regarded as an indirect measure of operating cash flow and, as such, the Company believes it is a significant indicator of success of public companies, and is particularly relevant to readers within the investment community. These measures do not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other companies; however, PEG is consistent in its calculation of EBITDAS for each reporting period.

(3) For purposes of calculating the Company's financial covenants, EBITDAS does not include the Company's expenses associated with the Quest Offer in the amount of \$1,781,238.

SECOND QUARTER HIGHLIGHTS

The Company's 2008 second quarter revenue increased 17% compared to the 2007 second quarter. EBITDAS for the 2008 second quarter was a loss of (\$1,151,000) compared to EBITDAS of \$812,000 for the second quarter of 2007. The net loss from continuing operations increased to (\$9,045,000) from (\$1,150,000) net loss in the second quarter of 2007. The net loss from discontinued operations was (\$36,000) from (\$205,000) in the second quarter of 2007. Net loss per share from continuing operations was (\$0.12) for the 2008 second quarter compared to the 2007 second quarter loss per share of (\$0.02) as the weighted average shares outstanding increased 31% in the current quarter.

On April 18, 2008, Quest Energy Services (Canada) Ltd. ("Quest") offered to purchase all of the issued and outstanding common shares of the company including common shares issuable upon the exercise of stock options and warrants and on the conversion of the preferred shares for CAD \$0.65 per share ("the Offer"). The Board of Directors of PEG engaged a third party consultant to prepare a fairness opinion in relation to Quest's Offer and unanimously recommended acceptance of the Offer based on the opinion received. On June 6, 2008, Quest an indirect wholly owned subsidiary of Al-Qahtani Marine & Oilfield Services Co. ("Al-Qahtani") of Saudi Arabia successfully completed its acquisition of 51,046,166 common shares of the Company. In connection with the closing of Quest's Offer, the Company issued an additional 32,946,861 common shares to Quest at an issue price of CAD \$0.65 per share. Net proceeds were US \$21 million. Quest now owns 83,993,027 common shares of the Company representing approximately 82.7% of the issued and outstanding common shares of the Company. In addition, the Company's credit facility with its lender was required to be restructured upon closing of the Offer.

In conjunction with the Offer by Quest, the Company restructured its credit facility with its existing lender. The negotiations included the use of proceeds from the acquisition to retire \$15 million in debt owed to its primary lender resulting in a balance outstanding of \$36.4 million at June 30, 2008. The term of the \$40 million credit facility was extended to June 6, 2009.

In April, 2008, the Company announced the award of its first non North American contract. WWIS was awarded a one-year (plus) contract to provide primary and secondary cementing as well as stimulation services to Belize Natural Energy Limited ("BNE"). BNE has been involved in an exploratory and developmental drilling campaign in Belize for some time. The Company commenced operations in Belize in May, 2008.

The Company continued to benefit from cost reductions resulting from its reorganization in the first quarter of 2008 which was offset by non-recurring transaction costs associated with the Quest Offer, including a prepayment fee to the Company's lender of \$4.0 million upon partially retiring existing outstanding debt. The Company was reorganized in the fourth quarter of 2007 to focus its business exclusively on delivering high quality intervention services to the United States oil and gas markets where growth continues.

The Company continues to redeploy its equipment to maximize fleet utilization and is increasing its focus on meeting the stringent vendor qualification requirements of major oil and gas producers. Although the Company's CT equipment utilization was lower in the current quarter compared to the same period in 2007, it is experiencing renewed demand for its services and equipment as strong oil and gas demand encourages the Company's customers to extract more production from existing wells.

The Company continued its services offerings of two complementary product lines during the current quarter: the Nitrogen Services Division and the WISE Tools Division. The Nitrogen Services Division initially included trailer mounted nitrogen generation units for land operations and skid-type nitrogen generation units for offshore work. In early 2008, the Company sold the three high volume (trailer-mounted) site-generated nitrogen units that were purchased in October 2007 for land operations. The three units were built for the Canadian land market and did not perform optimally in Texas and Louisiana field locations. The WISE Tools Division, which provides downhole CT motors, remedial tools and bottom-hole assemblies, is expected to generate revenues in its own right as well as increase CT revenues due to these complementary services generating pull-through business from a coordinated business development effort. This strategic expansion of services was in response to requests by the Company's customers for those services, and growing demand for these services is expected to contribute to higher revenue for the Company going forward. For the three months ended June 30, 2008, the Nitrogen Services Division and the WISE Tools Division had revenue of \$197,000 and \$555,000 respectively.

In January 2008, the Company announced that it had closed some of its field offices, including its Canadian operations due to the continued depressed Canadian natural gas markets. The Canadian operations are presented in the Company's 2008 and 2007 consolidated financial statements as discontinued operations. The loss from discontinued operations for the three months ended June 30, 2008 was (\$36,000).

PEG had cash and restricted cash of \$2,153,000 at June 30, 2008 compared to \$4,925,000 as at December 31, 2007. The Company used a significant portion of its restricted cash to pay its fourth quarter 2007 and first quarter 2008 interest payments in early 2008.

RESULTS OF OPERATIONS FOR THREE MONTHS ENDED JUNE 30, 2008

Consolidated revenues for the three months ended June 30, 2008 and 2007 were \$10,073,000 and \$8,625,000 respectively.

- Coiled Tubing Division revenues for the second quarter of 2008 were \$4,728,000, a 17% decrease over the 2007 second quarter revenues of \$5,709,000. The current quarter decrease compared to the same period in 2007 was primarily attributable to lower equipment utilization.
- Pumping Division revenues for the second quarter of 2008 were \$2,649,000, a 105% increase over the 2007 second quarter revenue of \$1,293,000. This increase was partially attributable to the organizational changes which included restructuring of the pressure pumping operations management and the sales force in order to focus on primary cementing pumping services. This restructure was initiated during the second half of 2007. In the current quarter, the company commenced operations in Belize generating revenue of \$695,000, representing 54% of the increase in pumping service revenues in the current three month period compared to the same period in 2007.
- The Wireline Services Division, which was acquired on March 5, 2007, contributed revenues of \$1,944,000, a 20% increase in the second quarter of 2008 when compared to \$1,623,000 in revenues generated during the same period in 2007.
- The Nitrogen Services Division and WISE Tools Division contributed \$197,000 and \$ 555,000 revenues in the second quarter of 2008. Both divisions began operating in the fourth quarter of 2007.
- WISE Alberta, a Canadian coiled tubing business that was acquired on April 27, 2007, was classified in the fourth quarter of 2007 as discontinued operations due to the Company's decision to close the Canadian operations and the Brooks, Alberta field office.

Cost of services for the three months ended June 30, 2008 and 2007 were \$7,090,000 and \$4,884,000 respectively.

- Cost of services for the Coiled Tubing Division increased to \$3,262,000 in the second quarter of 2008 from \$2,747,000 in the second quarter of 2007. The gross margin for the Coiled Tubing Division was 31% and 52% for the three months ended June 30, 2008 and 2007 respectively. The Coiled Tubing Division gross margin declined primarily due to lower equipment utilization, continued increased labor cost for experienced technical personnel, increased high-level equipment refurbishment programs and direct consumable items such as fuel.
- Cost of services for the Pumping Division increased to \$2,121,000 in second quarter of 2008 from \$955,000 in second quarter of 2007, an increase of 122%. The gross margin for the Pumping Division was 20% and 26% for the three months ended June 30, 2008 and 2007 respectively. The gross margin decreased partially due to start up cost in Belize in the current quarter.
- Cost of services for the Wireline Services Division decreased to \$1,092,000 in the second quarter of 2008 from \$1,182,000 in the same quarter of 2007, a decrease of 8%. The gross margin for the Wireline Services Division was 44% for the three months ended June 30, 2008 and 27% for the three months ended June 30, 2007.
- Cost of services for Nitrogen Services Division was \$195,000 with a gross margin of 1% in the current quarter. The cost of services for WISE Tools Division was \$420,000 with a gross margin of 24%.

Selling, general and administrative (SG&A) expenses for the three months ended June 30, 2008 and 2007 were \$4,627,000 and \$3,170,000 respectively. These amounts consist primarily of salaries and costs associated with various operating activities, finance, acquisition cost, and general corporate expenditures. Management continues its focus on cost management. In the current quarter, corporate and divisional overhead expense has been decreased but were offset by \$1,781,000 of SG&A expense related to non-recurring cost primarily associated with the Quest Offer.

EBITDAS for the three months ended June 30, 2008 and 2007 were (\$1,151,000) and \$812,000, respectively. The decline from the second quarter last year was primarily attributable to lower utilization of our CT equipment, higher labor cost for technical personnel and one-time transaction costs associated with the Quest Offer.

The Company's interest expense and amortization costs for the three months ended June 30, 2008 and 2007 were \$6,135,000 and \$683,000 respectively. Interest expense in the current quarter includes a one time \$4 million charge associated with a partial

prepayment of \$15 million applied to the outstanding senior credit facility. These funds were proceeds from equity issued to Quest that formed part of the acquisition transaction. Additionally, interest expense was higher due to increases in debt to fund capital assets and higher financing cost.

The Company recorded net losses before taxes and before discontinued operations for the three months ended June 30, 2008 and 2007 of (\$8,967,000) and (\$1,150,000) respectively. The increase in net loss from the prior year is primarily the result of lower CT equipment utilization, higher labor cost for technical personnel, and one time costs related to the Company's credit facility restructure and the Quest Offer.

In December 2007, the Company terminated the operations of its Canadian subsidiary WISE Alberta. The closing of these operations were completed in the first quarter of 2008. The assets and liabilities have been reclassified as discontinued operations and the Company's Canadian operations for the 2008 and 2007 period are reported as loss from operations of discontinued operations (as discussed in Note 17 to the unaudited consolidated financial statements for the three and six months ended June 30, 2008).

Net cash provided (used) by operating activities before changes in non-cash working capital was (\$6,990,000) and \$329,000 for the three months ended June 30, 2008 and 2007 respectively. These cash outflows were funded from the equity offering resulting from the Quest Offer.

RESULTS OF OPERATIONS FOR SIX MONTHS ENDED JUNE 30, 2008

Consolidated revenues for the six months ended June 30, 2008 and 2007 were \$18,190,000 and \$16,457,000 respectively.

- Coiled Tubing Division revenues for the first six months of 2008 were \$7,893,000, a 29% decrease over the same period revenues in 2007 of \$11,137,000. This decrease in the current six month period was primarily attributable to lower equipment utilization.
- Pumping Division revenues for the first six months of 2008 were \$5,187,000, a 65% increase over the same period revenues in 2007 of \$3,141,000. This increase was partially attributable to the organizational changes which included restructuring of the pressure pumping operations management and the sales force in order to focus on primary cementing pumping services. This restructure was initiated during the second half of 2007. Additionally, in the current quarter, the company commenced operations in Belize generating revenue of \$695,000, representing 22% of the increase in pumping service revenues in the current six month period compared to the same period in 2007.
- The Wireline Services Division contributed revenues of \$3,692,000 in the first six months of 2008, a 69% increase compared to \$2,179,000 in revenues generated during the same period in 2007. This service offering was acquired effective March 1, 2007 and revenues in the first six month period of 2007 include four months of activity compared to six months in the 2008 period.
- The Nitrogen Services Division and WISE Tools Division contributed \$424,000 and \$994,000 in revenues during the second quarter of 2008. Both divisions began operating in the fourth quarter of 2007.
- WISE Alberta, a Canadian coiled tubing business that was acquired on April 27, 2007, was classified in the fourth quarter of 2007 as discontinued operations due to the Company's decision to close the Canadian operations and the Brooks, Alberta field office.

Cost of services for the six months ended June 30, 2008 and 2007 were \$13,345,000 and \$9,028,000, respectively.

- Cost of services for the Coiled Tubing Division increased to \$6,101,000 during the first six months of 2008 from \$5,685,000 in the same period of 2007, an increase of 7%. The gross margin for the Coiled Tubing Division was 23% and 49% for the six months ended June 30, 2008 and 2007 respectively. The Coiled Tubing Division gross margin declined primarily due to lower equipment utilization, continued increased labor cost for experienced technical personnel, increased high-level equipment refurbishment programs and direct consumable items such as fuel.
- Cost of services for the Pumping Division increased to \$3,728,000 during the first six months of 2008 from \$1,802,000 in same period of 2007, an increase of 107%. The gross margin for the Pumping Division was 28% and 43% for the six months

ended June 30, 2008 and 2007 respectively. The gross margin decreased partially due to start up cost in Belize during the second quarter of 2008.

- Cost of services for the Wireline Services Division increased to \$2,348,000 in the first six months of 2008 from \$1,541,000 in the same period of 2007, an increase of 52%. The gross margin for the Wireline Services Division was 36% for the six months ended June 30, 2008 and 29% for the same period ended June 30, 2007.
- Cost of services for Nitrogen Services Division was \$516,000 with a gross margin loss of 22% during the first six months of 2008. During the same period in 2008, the cost of services for WISE Tools Division was \$652,000 with a gross margin of 34%. Both of these services commenced operation in the fourth quarter of 2007.

Selling, general and administrative (SG&A) expenses for the six months ended June 30, 2008 and 2007 were \$7,204,000 and \$6,113,000 respectively. These amounts consist primarily of salaries and costs associated with various operating activities, finance, acquisition cost, and general corporate expenditures. The Company has reduced corporate and divisional overhead expense and focus continues to be on cost management, however, these benefits were offset in the first six months of 2008 by \$1,781,000 of SG&A expense related to one time cost, primarily associated with the Quest Offer.

EBITDAS for the six months ended June 30, 2008 and 2007 were (\$1,764,000) and \$1,738,000 respectively. The decline from the second quarter last year was primarily attributable to lower utilization of our CT equipment, higher labor cost for technical personnel and one-time transactions costs associated with the Quest Offer.

The Company's interest expense and amortization costs for the six months ended June 30, 2008 and 2007 were \$8,044,000 and \$1,190,000 respectively. Interest expense includes a one time \$4 million charge associated with a partial prepayment of \$15 million applied to the outstanding senior credit facility. These funds were partial proceeds from equity issued to Quest that formed part of the acquisition transaction. Additionally, interest expense was higher due to increases in debt to fund capital assets and higher financing cost.

The Company recorded net losses before taxes and before discontinued operations for the six months ended June 30, 2008 and 2007 of (\$13,102,000) and (\$1,680,000) respectively. The increase in net loss from the prior year is primarily the result of lower CT equipment utilization, higher labor cost for technical personnel, and one time costs related to the Company's credit facility restructure and the Quest Offer.

Net cash provided (used) by operating activities before changes in non-cash working capital was (\$9,408,000) and \$886,000 for the six months ended June 30, 2008 and 2007 respectively.

Cash flow provided (used) by financing activities was (\$28,677,000) and \$12,400,000 for the six months ended June 30, 2008 and 2007 respectively. Activity in the first six months includes proceeds from the sale of common shares for a net amount of \$20,512,000 and \$3,000,000 from increasing long term debt. These cash inflows were offset by the retirement of long term debt of \$13,453,000. Additionally, the company reclassified its debt from financing activities to changes in non-cash working capital items in the amount of its existing debt balance of \$38,633,000 (see note 8(a) of the unaudited financial statement for the three and six months ended June 30, 2008) as this debt is classified as a current liability. The cash flow in the same period of 2007 is primarily the result of net proceeds from a preferred stock offering of \$5,000,000 and net borrowings \$8,361,000 to fund the Company's capital expenditures.

Cash flow from (used in) continuing investing activities was \$2,294,000 and (\$15,003,000) for the six months ended June 30, 2008 and 2007 respectively. The Company undertook an aggressive capital asset expansion plan that began in the third quarter of 2006 which will continue through the end of 2008. The majority of the capital expenditures relate to costs associated with the manufacture of CT units, nitrogen units and pressure pumping equipment. During the first six months of 2008, cash flow was increased \$3,600,000 from proceeds on the sale of two nitrogen units and \$3,238,000 provided from restricted cash used to fund operating costs and interest payments due to the lender (refer to "Financing Activities" below). Additionally, the company invested \$4,544,000 in capital equipment. During the same period of 2007, the Company invested \$8,748,000 in the acquisition of Wireline Services and DynaStar and invested \$6,256,000 in capital equipment.

Economic and industry factors remain substantially unchanged from the previously reported periods through August 13, 2008.

FINANCING ACTIVITIES

The Company's primary sources of financing are bank debt and equity issuances. As a result of the Offer, the Company's existing credit facility has been restructured. Due to the amendment to the credit agreement, the Company has made a principal payment of \$15 million and the maturity date of the aggregate outstanding principal amount of the debt is now June 6, 2009. The Company has

the option to extend the maturity date for six months with an interest rate increase of 2% and the grant by the Company of an additional 500,000 warrants at CAD \$0.65. The lender has also amended the terms to permit pre-payment of the remaining principal balance of the obligations at no penalty. The Company has incurred a \$4 million restructuring fee, with \$2 million of such being paid at the closing of the restructuring and the remaining \$2 million due and payable upon the earlier of (a) the date the obligations owing under the agreement are paid or prepaid in full, or (b) the maturity date for the remaining aggregate outstanding principal amount of the obligations under the agreement as amended, being June 6, 2009. The restructured facility is for a total of \$40 million and borrowings under the facility bear interest at 14%, with the Company having the ability to pay 3% in kind. Payment in kind will result in an increase to the principal balance due. The effective interest rate is 14.93%. The facility is secured by all assets of the Company except the Company's accounts receivable.

The Company originally entered into this credit facility with a major energy lending institution (the "Lender") on August 31, 2007 to provide a senior credit facility of \$70 million. This senior facility refinanced the pre-existing senior indebtedness and provided \$40 million in expansion financing for additional capital expenditures and working capital.

As a result of the Offer, the 8,236,436 warrants issued to the Lender in 2007 were cancelled and new warrants ("New Warrants") were issued to purchase up to 3,000,000 Common Shares at a fixed rate of CAD \$0.65 with a term of four years. The fair value of the New Warrants was estimated to be \$591,760 using the Black-Scholes model with the following assumptions: expected life of New Warrants four years; expected volatility of 41%; risk-free interest rate of 3.22%; and a zero dividend yield. The unamortized value of the original warrants has been recorded as a financing cost in the current period.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at June 30, 2008, the Company has made deposits and progress payments in the amount of \$11,232,378 toward the purchase of equipment to be delivered in the third quarter of 2008. The total progress payments and balance due on delivery is estimated to be \$14,393,554 and will be funded by the credit facility with the Lender.

The Company has entered into several lease agreements with major fleet leasing companies for the lease of vehicles. The terms of the leases vary from 12 to 72 months and the monthly lease payments total \$78,216. The leases are structured as operating leases. As at June 30, 2008, the total deposits on operating leases is \$392,861. The Company has also entered into several lease agreements for the rental of real property.

The following table represents the future payments required by all of the Company's equipment and real property lease agreements:

	Amount
2008	759,481
2009	1,421,516
2010	921,989
2011	415,906
2012	272,272
Total	\$ 3,791,164

DISCONTINUED OPERATIONS

As a result of the Company's decision to restructure its operations and the continued depressed Canadian oil and gas market, the Board voted on November 5, 2007 to discontinue its operations in the western Canadian oilfield services market. The results of operation of the Canadian operations have been reported within discontinued operations of the accompanying financial statements and the June 30, 2007 statements have been restated to reflect the reporting of discontinued operations as these operations originated in the second quarter of 2007. During the three and six months ended June 30, 2008 the Company reported a \$36,321 and \$158,064 loss respectively (2007 – loss of \$205,093) from discontinued operations. The Company has recorded a liability for future costs associated with these discontinued operations of nil at June 30, 2008 (\$212,057 - December 31, 2007).

CONTINGENCIES

The Company is a defendant in several lawsuits arising from the normal course of business. Defense of these suits 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 the claims. Accordingly, no estimated loss provision has been made in the accompanying consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital:

(USD)	As at June 30, 2008	As at December 31, 2007
Current assets	12,774,941	17,968,545
Current liabilities	42,807,312	54,840,722
Working Capital	(30,032,371)	(36,872,177)

As a result of the Quest Offer, the Company restructured its existing credit facility. The Company was in compliance of the new covenants as amended in June, 2008. Working capital at June 30, 2008 increased \$6,840,000 due to a reduction in the credit facility balance of \$11,460,000 as the Company utilized cash proceeds from equity issued to Quest. Current assets decreased as assets held for sale were disposed and cash was utilized to fund operations and pay interest expense on debt obligations. Current liabilities include the balance of the debt outstanding of \$36,379,000 at June 30, 2008 as this is payable in June, 2009. The Company may be in breach of its debt covenants in the future and this may affect its ability to borrow additional funds and/or the operations of the Company should the Lender call the note. The Company does not believe this to be a significant risk as the note is due in one year.

The Company entered into a senior debt facility with a major energy lending institution on August 31, 2007 as previously mentioned (refer to "FINANCING ACTIVITIES").

The Principal repayments required on the senior debt facility over the next five years are as follows:

2008	\$ 1,546,875
2009	37,085,999
	38,632,874
Warrants	581,898
Transaction costs	1,947,155
Balance	36,103,821

The Company is funding its capital and operating needs with funds from its senior term facility and with the net proceeds from the Company's Common Stock and Preferred Share equity offerings. Liquidity risk arises from PEG's ability to meet general funding needs and managing the assets, liabilities and capital structure of the Company. Liquidity risk is managed to maintain sufficient liquid financial resources to fund obligations as they become due in the most cost effective manner. The Company's liquidity needs are met through a variety of sources, including: cash generated from operations and long-term borrowings against PEG's capital expenditure line. The Company's primary uses of funds are operational expenses, capital expenditures, and interest and principal payments on credit facilities.

SHARE CAPITAL

	Number of Shares	Amount
Common Shares		
Balance, December 31, 2007	56,617,376	\$ 17,213,519
Additional shares issued pursuant to Wireline agreement	4,321,507	-
Balance, March 31, 2008	60,938,883	17,213,519
Shares issued for Wireline earnout settlement	461,538	300,000
Conversion of Preferred Stock	7,278,409	2,647,662
Shares issued to Quest, net of costs of \$488,445 (Note 4)	32,946,861	20,511,555
Balance, June 30, 2008	101,625,691	40,672,736
Preferred Stock		
Balance, December 31, 2007	6,975,800	2,526,618
Paid in kind dividends	302,609	121,044
Balance, March 31, 2008	7,278,409	2,647,662
Conversion to Common Shares	(7,278,409)	(2,647,662)
Balance, June 30, 2008	-	0
Warrants		
Balance, December 31, 2007	14,006,019	2,615,914
Balance, March 31, 2008	14,006,019	2,615,914
Lender warrants cancelled	(8,236,436)	(320,301)
Warrants issued to lender (Note 10)	3,000,000	591,760
Balance, June 30, 2008	8,769,583	2,887,373
Total		\$ 43,560,109

Contributed Surplus:

Balance, December 31, 2007	\$ 3,719,837
Employee options	82,068
Board of Director options	16,672
Advisory Board options	2,341
Balance, March 31, 2008	3,820,918
Cancelled warrants	320,301
Employee options	144,421
Board of Director options	9,853
Advisory Board options	255
Balance, June 30, 2008	\$ 4,295,748

Preferred Stock

All Preferred Shares were converted to Common Shares prior to the completion of the Quest Offer.

Stock Option Plan

The expense for the Stock Option Plan for the three and six month periods and the comparative periods was determined using the Black-Scholes option pricing model with the following assumptions: risk-free interest rates ranging from 3.0% to 4.0%; expected life of five years; no annual dividends paid; and expected volatility of 50%.

Compensation expense for stock options is recognized using the fair value when the stock options are granted and is amortized over the options' vesting period. During the three and six months ended June 30, 2008, \$154,529 and \$255,610 (2007 - \$183,173 and \$363,128) was recognized as compensation expense in the consolidated statements of loss with a corresponding increase in contributed surplus. As at June 30, 2008, 1,597,086 stock options were exercisable and the weighted average years to expiration were 3.85 years. The fair value of options granted during the three and six month period ending June 30, 2008 that were outstanding at June 30, 2008 was approximately \$117,968 and \$219,643 respectively or \$0.24 and \$0.12 per option respectively

The following table summarizes information about the stock options outstanding at June 30, 2008:

	Options Outstanding	Option Price CAD	Wtd Avg Exercise Price CAD	Wtd. Avg. Remaining Contractual Life (years)	Options Currently Exercisable	Wtd. Avg. Exercise Price of Options Currently Exercisable CAD
	1,745,835	\$ 2.00	\$ 2.00	3.39	1,333,335	\$ 2.00
	3,170,000	\$ 0.62	\$ 0.62	3.94	263,751	\$ 0.62
	500,000	\$ 0.65	\$ 0.65	4.85	0	\$ 0.65
Total	5,415,835				1,597,086	

RELATED PARTY TRANSACTIONS

- (a) The Company previously entered into a consulting agreement in which a family member of a senior executive was paid nil and \$12,000 respectively during the three and six months ended June 30, 2008 (2007 - \$12,000 and \$24,000 respectively) for advisory board services. This agreement has been cancelled effective April 1, 2008.
- (b) Equipment purchases and equipment repairs of \$74,282 and \$796,474 were recorded during the three and six months ended June 30, 2008 respectively (2007 - \$1,698,077 and \$1,958,233 respectively) to two companies controlled by a former director. All transactions are competitive with arms-length third party charges. There was an outstanding balance at June 30, 2008 of \$2,607 (2007 - \$535,982). On June 6, 2008 the director resigned from the Board and no additional related party transactions are expected.
- (c) The Company leases real property from a company controlled by a former board member of the Company. For the three and six months ended June 30, 2008, \$64,500 and \$129,000 respectively (2007 - \$54,500 and \$119,000 respectively) was recorded in lease payments. On June 6, 2008 the director resigned from the Board and no additional related party transactions are expected.

All of the above related party transactions are recorded at agreed to exchange amounts which reflect fair values.

SUMMARY OF QUARTERLY RESULTS^{(1), (2), (3)}

Stated in USD

	2008		Q4	2007			2006	
	Q2	Q1		Q3	Q2	Q1	Q4	Q3
Revenue	(1) 10,073,460	8,116,713	8,307,203	6,340,487	8,624,817	7,832,175	6,850,175	5,780,183
EBITDAS	(2) (1,150,887)	(613,569)	(678,870)	(2,113,940)	812,403	925,633	385,352	58,383
ADJ EBITDAS	(3) 630,351	(613,569)	(678,870)	(2,113,940)	812,403	925,633	385,352	58,383
Loss before income taxes before discontinued operations	(8,967,289)	(4,134,950)	(6,678,647)	(6,983,859)	(1,149,874)	(529,822)	(1,084,490)	(1,263,630)
Net loss from continuing operations	(9,044,556)	(4,134,950)	(7,393,379)	(6,983,859)	(1,149,874)	(529,822)	(1,363,751)	(1,263,630)
Loss from discontinued operations	(36,321)	(121,743)	(3,159,663)	(314,939)	(205,093)	-	-	-
Loss per share from continuing operations - basic and diluted	(0.12)	(0.07)	(0.13)	(0.13)	(0.02)	(0.01)	(0.02)	(0.02)
Loss per share from discontinued operations - basic and diluted	0.00	(0.00)	(0.06)	(0.01)	(0.00)	-	-	-
Total assets	50,978,237	49,668,253	54,753,431	61,144,336	45,408,916	41,588,354	32,018,488	31,630,733
Notes and long-term debt	274,728	48,386,891	47,838,163	47,096,649	22,198,677	18,572,399	1,427,515	11,940,820
Basic and dilutive shares	73,338,300	57,757,114	56,403,874	56,317,375	56,185,200	55,012,335	54,655,632	52,869,716

(1) Revenue, EBITDAS and operating loss for WISE Alberta was reversed in Q4 2007 and classified as loss from operations of discontinued operations in the financial statements.

(2) EBITDAS means earnings from continuing operations before interest, taxes, amortization, and stock based compensation. Readers are cautioned that EBITDAS is generally regarded as an indirect measure of operating cash flow and, as such, the Company believes it is a significant indicator of success of public companies, and is particularly relevant to readers within the investment community. Funds from operations are obtained from the consolidated statements of cash flows and are the subtotal before the first "change in non-cash working capital." These measures do not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other companies; however, the Company is consistent in its calculation of EBITDAS and funds from operations for each reporting period.

(3) For purposes of calculating the Company's financial covenants, EBITDAS does not include the Company's expenses associated with the Quest Offer in the amount of \$1,781,238.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements have been prepared in accordance with Canadian GAAP and significant accounting policies utilized by the Company are described in Note 2 to the Company's consolidated financial statements. Management believes the accounting principles selected are appropriate under the circumstances and the Audit Committee of the Company has approved the policies selected.

Under Canadian GAAP, the Company is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions utilized are based on past experience and other information available to management at the time the estimate or assumption is made. The estimates and assumptions used by management are constantly evaluated for relevance under the circumstances and if circumstances on which the estimates or assumptions were based change, the impact is included in the results of operations for the period in which the change occurs. Management believes the estimates, judgments and assumptions involved in its financial reporting are reasonable.

The following accounting policies require management's more significant judgments and estimates in the preparation of the Company's consolidated financial statements, and as such, are considered to be critical.

Allowance for Doubtful Accounts Receivable The Company periodically reviews its accounts receivable on an individual and overall customer basis. This process consists of a review of historical collection experience, current aging status of the customer accounts and other factors. Based on its review of these factors, it establishes or adjusts allowances for specific customers. This process involves a high degree of judgment and estimation. Accordingly, the Company's results of operations can be affected by adjustments to the allowance due to actual write-offs that differ from estimated amounts.

Property and Equipment Property and equipment are recorded at cost less accumulated amortization. Amortization is computed based upon the Company's amortization policies. The amortization policies selected are intended to amortize the related property and equipment over their useful life. The use of different assumptions with regard to the useful life could result in different carrying values for these assets as well as for amortization expense.

Impairment of Long-lived Assets Long-lived assets are reviewed for impairment annually. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Estimates of undiscounted future net cash flows are calculated using estimated future revenues, operating expenses and other costs. These estimates are subject to risk and uncertainties, and it is possible that changes in estimates could occur which may affect the expected recoverability of the Company's long-lived assets. Based on Management's expectations for continued demand for the Company's services, the assumptions utilized to determine the future recoverability of long-lived assets resulted in no indication as at June 30, 2008 that the carrying value of the long-lived assets would not be recoverable in the future.

Goodwill and Intangible Impairment The carrying value of goodwill and intangibles on acquisitions is compared to its fair value at least annually to determine if a permanent impairment exists, at which time the impairment would be recorded as a charge to earnings. Goodwill and intangibles were first recorded by the Company in 2006. Valuations are inherently subjective and necessarily involve judgments and estimates regarding future cash flows and other operational variables. Based on Management's expectations for continued demand for the Company's services, the assumptions utilized to test for impairment resulted in no indication as at June 30, 2008 that the carrying value of the goodwill and intangibles on acquisitions was impaired.

Income Taxes The Company follows the liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted tax rates. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the future tax asset will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions may require changes to the valuation allowances associated with the Company's future tax assets.

Stock-based Compensation Stock-based compensation is calculated using the fair value method based upon the Black-Scholes model. In order to establish fair value, the Company uses estimates and assumptions to determine the risk-free interest rate, expected term, anticipated volatility and anticipated distribution yield. The use of different assumptions could result in different book values for stock-based compensation.

ACCOUNTING POLICIES

The Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants (“CICA”) continually amends and improves certain standards or guidelines contained in the CICA Handbook. The Company monitors these changes as they are proposed and will make changes to its accounting policies and disclosures as necessary. The significant accounting policies are the same as those set out in the most recent annual consolidated financial statements, other than the following new accounting standards issued by the CICA. These accounting policies were adopted on a prospective basis on January 1, 2008, with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Capital Disclosures (CICA Handbook Section 1535) This standards requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. The Company has determined that the only impact is the disclosure contained in Note 16 of the unaudited consolidated financial statements for the three months ended June 30, 2008.

Inventories (CICA Handbook Section 3031) This section replaces the existing Section 3030 and contains requirements on measurement and disclosure of inventories to converge with International Financial Reporting Standards. This standard establishes guidance on the determination of costs and its subsequent recognition as an expense, including any write down to net realizable value and subsequent reversal of impairment to original cost. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company has determined that there is no material impact on its consolidated financial statements as the existing policies were in compliance with the revised standard.

Financial Instruments-Disclosure (CICA Handbook Section 3862) and Financial Instruments Presentation (CICA Handbook Section 3863) These standards increase the disclosures currently required that will enable users to evaluate the significance of financial instruments for an entity’s financial position and performance including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing net income and other comprehensive income would have been affected by reasonable possible changes in the relevant risk variable. The only significant effect on the Company’s consolidated financial statements is the incremental disclosures in Note 15 of the unaudited consolidated financial statements for the three and six months ended June 30, 2008.

International Financial Reporting Standards (“IFRS”) In February 2008 the Canadian Accounting Standards Board confirmed that public companies will be required to adopt IFRS effective for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating these new standards. The financial reporting impact of the convergence to IFRS cannot be reasonably estimated at this time.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the Chief Financial Officer (“CFO”) are responsible for establishing and maintaining the Company’s disclosure controls and procedures. They are assisted in this responsibility by the Company’s senior management team. Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. An evaluation of the design and operating effectiveness of the Company’s disclosure controls and procedures as of June 30, 2008 was performed under the supervision of the CEO and CFO and with the participation of the Company’s senior management. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) control framework adopted by the Company and the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators, *Certification of Disclosure in Issuers’ Annual and Interim Filings*. The CEO and CFO have concluded, as of the date of this MD&A that the Company’s disclosure controls and procedures have been designed and are operating effectively to provide reasonable assurance that material information related to the Company is made known to them by others within the Company.

It should be noted that while the Company’s CEO and CFO believe that disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures would prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the

objectives of the control system are met. There have been no changes to disclosure controls and procedures that occurred over the most recent interim period that have materially affected or are likely to materially affect internal control over financial reporting.

The CEO and CFO of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. An evaluation of the design effectiveness of the Company's internal controls over financial reporting as of June 30, 2008 was performed under the supervision of the CEO and CFO and with participation of the Company's senior management in accordance with the COSO framework and Multilateral Instrument 52-109. The CEO and CFO have concluded, as of the date of this MD&A, that the Company's internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

As required, the Company records complex and non-routine transactions. These sometimes are extremely technical in nature and require an in-depth understanding of Canadian GAAP. To address this risk, the Company consults with its third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. Management does not expect that the internal controls over financial reporting would prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There have been no changes in internal control over financial reporting that occurred over the most recent interim period that have materially affected or are likely to materially affect internal control over financial reporting.

EXPANSION /GROWTH

In an effort to execute its strategic growth plans, the Company expanded its services offerings and launched two new product lines in the fourth quarter of 2007: the Nitrogen Services Division and the WISE Tools Division. The Nitrogen Services Division included three high-volume (trailer-mounted) site-generated nitrogen units for land operations and two nitrogen skid type unit for offshore service. The WISE Tools Division will include new downhole drilling motors. This strategic expansion of services was due to requests by the Company's customers for these services and increased demand for these services will contribute to higher revenue for the Company. In early 2008, the Company subsequently sold 3 nitrogen units that were purchased in October 2007, but were not economical for the U.S. market. The units were built for the Canadian land market, and did not perform optimally in the Texas and Louisiana field locations.

Using the combined infrastructures of its Coiled Tubing, Pressure Pumping, Wireline Services, Nitrogen Services and WISE Tool Divisions, the Company intends to continue its development and growth in Texas, Louisiana and Mississippi, and expand into markets in Oklahoma, Arkansas, New Mexico, Alabama and Florida (collectively the "Southern Territory"). The Company also plans to expand its operations in the mid continent area and the western United States through the possible acquisition of well intervention service companies already operating in those regions. To the extent that it is successful in completing additional acquisitions, the Company plans to retain the management teams, technical services and expertise of any acquired entities. Additionally, the Company intends to market its CT and pressure pumping services to the customer bases of the acquired entities as a way to accelerate the growth of the Company in new geographic markets. The closing of additional acquisitions will depend on, among other factors, both an increase in the Company's existing credit facilities and the raising of additional equity or other capital (including subordinated debt facilities and/or subordinated notes to be offered to sellers for a portion of their purchase consideration).

In April, 2008, the Company announced the award of its first non North American contract. WWIS was awarded a one-year (plus) contract to provide primary and secondary cementing, as well as, stimulation services to Belize Natural Energy Limited ("BNE"). BNE has been involved in an exploratory and developmental drilling campaign in Belize for some time and most of the activity BNE plans for the next two years is exploratory in nature. The Company commenced operations in Belize in May, 2008.

On January 25, 2008, the Company announced (refer to press release dated January 25, 2008) that it closed some of its field offices, including its Canadian operations which were headquartered in Brooks, Alberta. This was done in an effort to streamline operations, improve cash flow and reduce costs. The Canadian operations are presented in the accompanying 2008 unaudited consolidated financial statements as discontinued operations.

The Company's equipment inventory currently consists of ten WISE® CT Units assembled in various onshore and offshore configurations, four additional non-proprietary CT units, a capillary unit, two WISE dual pump units, eight WISE single pump units, one WISE flameless thermal unit, 28 wireline units and two dual skid site-generated nitrogen units.

In January 2008, the decision was made to sell the three high volume (trailer mounted) nitrogen units purchased in October 2007, after learning that they were not economical for the U.S. market. The units were initially built for the Canadian land market. During the months of December 2007 and February 2008, in accordance with our continuing growth strategy, the Company purchased two dual skid nitrogen units for offshore service and will purchase an additional five higher capacity dual skid nitrogen units in the third quarter of 2008. In addition, the Company has ordered a new increased capacity design WISE unit for delivery in the third quarter of 2008. The actual number of units purchased or retained and the schedule of deployment will depend on demand, utilization rates of existing units, availability of financing, the pace of manufacturing and other variables beyond the Company's control in whole or in part. The Company plans to fund this capital expansion through a combination of cash on hand, cash flow from operations and debt financing.

RISK FACTORS

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, the Company may need to raise additional capital through public or private equity offerings or debt financings. If the Company cannot raise needed funds on acceptable terms, it may not be able to order and deploy the same level of equipment, develop or enhance its products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. To the extent the Company raises additional capital by issuing equity securities, its shareholders may experience substantial dilution. In the event of issuance of the Company's 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 the Company to take steps such as reducing its 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, blowouts, 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 Joseph Lahey, CEO, Jaime Crawford, President and co-founder and Doug Parker, CFO. The loss of services of any of these individuals could impair the Company's ability to complete the domestic and international rollout of its products and services and could have a material adverse effect on the Company's business, financial condition, and results of operations.

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 its services, which could adversely affect its revenues and gross margin. If the Company is unable to sell its services at profitable prices, or if the

Company fails to offer additional services that achieve sufficient profit margins, its revenue growth could slow and our business and financial results could suffer.

The market for CT 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 CT services and businesses overall are relatively low considering that CT equipment 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 its 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 its technology, but there is no guarantee that such additional patents will be issued.

Many of PEG's existing and potential competitors have long operating histories in the CT and well services markets, greater name recognition, larger consumer bases and significantly greater financial, technical and marketing resources than the Company do. Some of PEG's 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 its competitors. PEG's competitors and other companies may form strategic relationships with each other to compete with the Company. These relationships may take the form of strategic alliances, joint marketing agreements, licenses or other contractual arrangements, which arrangements may increase the Company's competitors' ability to address customer needs with their product and service offerings. The Company believes that there is likely to be consolidation in its prospective markets, which could lead to increased price competition and other forms of competition that could cause its 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 on offshore rigs, all of which 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, the Company's business reputation may be impaired. In addition, these defects may result in liability claims against the Company. Any large product liability suits occurring early in the Company's growth could have a material adverse effect on its business, financial condition, and results of operations.

Vulnerability to Market Changes

Fixed costs, including costs associated with operating, leases, labor 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 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 flows 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.

All of the Company's Assets are located outside of Canada

All of the Company's assets are currently located in the United States except for a minimal portion in Belize. The Company does not believe that this fact necessarily poses an increased risk of operation, but the Company is subject to laws, regulations, tax rules and legal proceedings in two distinct jurisdictions, which may pose additional complexities in operating and managing the business.

The Company is subject to the cyclical nature of the oil and gas industry

The Company's business depends primarily on the level of activity of exploration and production companies in the U.S. and Canada and the willingness of its customers to make capital expenditures and budget for well service operations is critical to its 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 the Company's industry. The Company is 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 PEG's products and services and PEG's financial condition and results of operations.

The oilfield services industry is highly competitive

The Company will be competing in highly competitive areas of the oilfield services industry. The products and services of PEG's industry segment are sold in highly competitive markets, and its 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. The Company 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 the Company serve are price, product and service quality, availability, technical proficiency, demonstrable production enhancement and safety. The Company's operations may be adversely affected if its 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 the Company's 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. No assurances can be given that the Company will be successful in maintaining its required supply of equipment, parts and components. Cost of component parts used in repair and manufacture of the Company's operational equipment or operational consumables such as fuel, coil tubing, wire, liquid nitrogen, and cement and chemicals are subject to increase from increased demand in the domestic marketplace, changes in commodity production capability, and dollar fluctuations for commodities produced overseas and used in the manufacture of consumables or component parts. This could result in a disproportionate increase in our average costs. There is no assurance that increased cost in commodities can be recovered by higher prices to our customers. Higher prices may lessen our competitive advantage. 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 one major independent oil and natural gas company that accounted for approximately 16% of the revenue for the three months ended June 30, 2008. Two customers accounted for approximately 15% and 10% of outstanding accounts receivables at June 30, 2008, and no other customer made up more than 10% of the revenue for this period.

Environmental Liability

The Company's 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. PEG is 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. The Company is also unable to predict the effect that any such events may have on it, its business, or its financial condition. In addition, demand for the Company's 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 the Company's areas of operations for economic, environmental or other policy reasons could also adversely affect its operations by limiting demand for its services. PEG also has 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, the Company may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. The Company believes that its 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. The Company is unable to predict whether environmental laws will materially adversely affect its future operations and financial results.

The Company's need to attract and retain skilled workers may impair growth potential and profitability

The Company's ability to remain productive and profitable will depend substantially on its ability to attract and retain skilled workers. The Company's ability to expand its operations is in part impacted by its ability to increase its labor 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 the Company's skilled labor force, increases in the wage rates paid by the Company, or both. If either of these events occurred, the Company's capacity and profitability could be diminished, and its growth potential could be impaired.

Weather Related Risks

The Company has its operations primarily located in the Gulf Coast area and is significantly impacted by storm activity in the region. As seen during the 2005 and 2007 hurricane seasons in the Gulf of Mexico, weather can have a significant impact on demand for well intervention services in the area affected. The Company believes the combination of two very strong storms in 2005 (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. In 2007, numerous tropical storms in the Gulf of Mexico impacted results. 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.

Terrorist Attack

Terrorist activities, anti-terrorist efforts and other armed conflict involving the United States may adversely affect the United States and global economies and could prevent the Company from meeting its financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for the Company's services and causing a reduction in its revenues. Oil and gas related facilities could be direct targets of terrorist attacks, and the Company's operations could be adversely impacted if infrastructure integral to customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

Debt Covenants

As a result of the Quest Offer on June 6, 2008, the Company restructured its existing credit facility. The Company has reclassified its outstanding debt as a current liability. The Company was in compliance with the new covenants as amended in June, 2008. The Company may be in breach of its debt covenants in the future and this may affect its ability to borrow additional funds and/or the operations of the Company should the Lender call the note.

Foreign Operations

The Company conducts a portion of its business in the United States and is subject to risks inherent in such operations, such as: terrorist threats; fluctuations in currency and exchange controls; increases in duties and taxes; and changes in laws and policies governing operations. In addition, in the United States jurisdictions in which the Company operates, it is subject to various laws and regulations that govern the operation and taxation of its businesses in such jurisdictions and the imposition, application and interpretation of which laws and regulations can prove to be uncertain. The payment of dividends or the making of other cash payments or advances by the Company may be subject to restrictions or exchange controls on the transfer of funds in or out of the United States or result in the imposition of taxes on such payments or advances. While the Company believes that these risks are reasonable, there is no assurance that United States tax authorities will reach the same conclusion. Further, if United States jurisdictions were to change or modify such laws, the Company could suffer adverse tax and financial consequences.

SUBSEQUENT EVENTS

On July 14, 2008, the Board accepted the resignation of Don B. Cobb as Chief Executive Officer and Director of the Company. Further, the Board announced the appointment of Joseph P. Lahey as Chief Executive Officer and Director of the company effective immediately. Mr. Lahey's role will encompass setting the strategic direction of the Company as well as managing and executing this strategy. Jaime B. Crawford will assume the leadership role as President of WISE Well Intervention Services, Inc., and will remain as a Director of the Company.

The private placement of Common Shares in connection with the closing of Quest's Offer was successfully completed on July 14, 2008. The Company issued an additional 6,275,592 Common Shares to Quest and certain employees of PEG at an issue price of CAD \$0.65 per share. In total, Quest now owns 89,698,619 Common Shares of the Company representing approximately 83.1% of the issued and outstanding Common Shares of the Company (73.5% on a fully diluted basis).