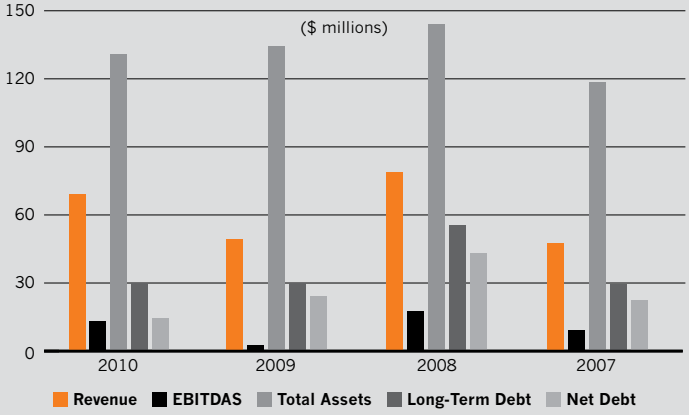
CENTRAL ALBERTA WELL SERVICES CORP.

// 2010 ANNUAL REPORT

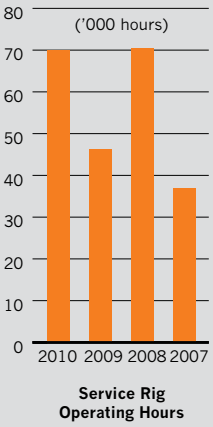
PROGRESS

// 2010 HIGHLIGHTS

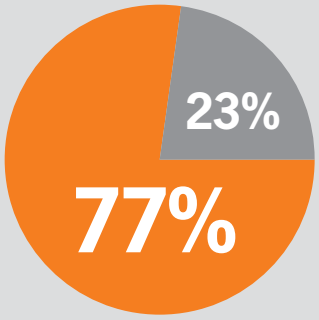
MAP OF LOCATIONS



SELECT FINANCIAL



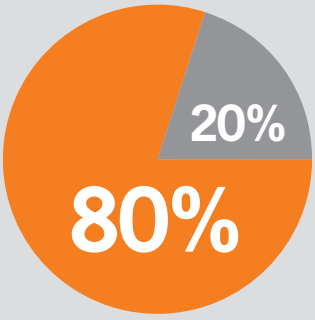
OPERATING INFORMATION



Based on 2010 Results

Well Services | Other Oilfield Services

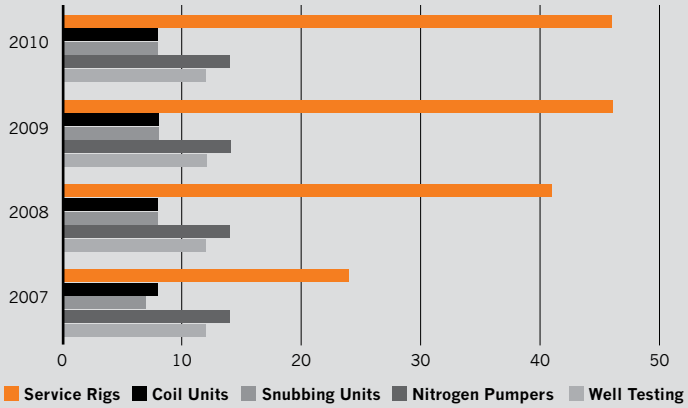
REVENUE CONTRIBUTION



Based on 2010 Results

Well Services | Other Oilfield Services

EBITDA CONTRIBUTION



EQUIPMENT

// MESSAGE FROM THE PRESIDENT

Dear Fellow Shareholders,

I am very pleased to be able to provide you with Central Alberta Well Services Corp.'s ("CWC") 2010 Annual Report. 2010 can be described as a year of significant change and progress for the Canadian oilfield services industry. The same can be said of CWC.

2010 in Review

Fortunately, 2010 saw the continuation of higher oil prices from the mid $70's to the low $90's level. This, along with a more competitive and stable Alberta royalty regime announced in March 2010, led to improved confidence and capital injection into the oil exploration and production companies that we are proud to call our customers. We witnessed renewed interest in the Western Canadian Sedimentary Basin ("WCSB") as continual domestic and international capital flowed into our customers' hands. They proceeded to extract the oil reserves using new horizontal and multi-stage fracturing technologies that were not available only a few short years ago. As a result, the utilization rates and activity levels for CWC's equipment and services steadily increased throughout 2010. CWC experienced a 40% increase in revenue and a 420% increase in earnings before interest, taxes, depreciation, amortization and stock based compensation ("EBITDAS"). It was a welcome improvement from the dreadful bottom of 2009.

So what did we do in 2010 to make CWC a much stronger and better-positioned company? In April 2010, CWC obtained new debt facilities consisting of a $30 million three year term loan and a $10 million revolving operating line. These credit facilities continue to provide CWC with greater flexibility and certainty that our debt holders are committed to supporting CWC and our growth plans.

At the Annual General Meeting in July 2010, you and your fellow shareholders voted in favour of replacing four of the members of the Board of Directors with two new independent directors, Wade McGowan and myself, who bring proven execution experience in the oil and gas and energy service industry. The new Board of Directors thanks you for putting your trust and faith in us to lead the way to create value for you, our shareholders. As a first step to putting CWC back on track, a comprehensive analysis was undertaken to get a detailed understanding of the strengths, weaknesses, opportunities and threats facing CWC. A considerable amount of time was spent in the summer of 2010 analyzing every facet of the company to determine an appropriate strategic direction. The ultimate result of this process was that the Board felt more could be done for our shareholders. The senior management team at that time did not agree with the new vision of the Board, which ultimately led to the resignation of the President & CEO in October 2010 and the VP Finance & CFO in November 2010. I was asked by the Board to assume the responsibilities of the President & CEO in October 2010 and to start implementing the strategies that the Board believed would create a stronger and better-positioned company: strategies developed to increase shareholder value. I am happy to report that we embarked upon a cost reduction initiative in Q4 2010, which will result in annual cost savings in operating and general and administrative costs of approximately $1.5 million in 2011 and beyond. Our goal is to make as much of the operating and general and administrative costs variable in nature to correspond with the ups and downs of activity levels – as opposed to a fixed cost structure, which has a more magnified impact on net income when activity levels are lower, as we experienced in 2009.

On the activity and utilization front, 2010 proved that higher oil prices are here to stay for the foreseeable future. Since 90% of our service rig fleet is working on oil wells, the higher activity and utilization levels resulted in our ability to increase the hourly rates we charge our customers beginning in Q4 2010. Please be mindful that these rate increases only return CWC back to a pricing level that is more sustainable as we, along with our competitors, did what was necessary to help our oil and gas customers during our collective struggles with low commodity prices two years ago.

Where Do We Go From Here?

CWC's core business is Well Servicing, comprised of service rigs and coil tubing units. Our Other Oilfield Service division (snubbing, nitrogen and well testing) supports this core business. In relative terms, CWC is a small but progressive oilfield service company. We need to remain focused on what we do well and to draw upon those strengths to be the best-in-class well servicing company. We must try not to spread ourselves too thin by providing other services to our exploration and production customers at the expense of our core business. In this regard, CWC has embarked upon a new and timely vision to look for opportunities to grow our Well Servicing division and to rationalize some of our non-core Other Oilfield Service assets at a fair and reasonable price. By moving towards a focused Well Servicing business model, CWC believes there will be a greater probability of success in creating shareholder value.

If the first two months of 2011 are any indication of what lies ahead for the rest of the year, then there is reason to be optimistic. As I write this message in early March 2011, CWC is projected to have very robust financial results for Q1 2011 as we build on the positive momentum within the industry. The Petroleum Services Association of Canada ("PSAC") forecasts that 12,750 wells will be drilled in 2011, an increase of 12% over the 11,350 wells drilled in 2010. These numbers are still well off the highs of 2005 and 2006 when approximately 23,900 wells were drilled each year. Whether the WCSB can reach these well counts again remains to be seen, as new horizontal drilling and multi-stage fracturing technologies have resulted in a more efficient and effective way to access hydrocarbon resources. Nevertheless, the well count trend is positive and this should result in greater utilization of our Well Servicing and Other Oilfield Service equipment, and generate greater cash flow from our operations.

In January 2011, CWC announced a new senior management team that brings a wealth of execution experience. There is significant depth and breadth not only in the senior team, but throughout the organization. I am proud and honoured to be leading this team to greater prosperity. I would like to express my sincere thanks to the employees of CWC for their ongoing support, hard work and dedication. Without each of your valuable contributions, we would be unable to provide the level of service that our exploration and production customers demand and deserve. And to our customers, thank you for your ongoing business and the excellent relationships that we have built up with you over the years. We look forward to achieving our economic success together. In closing, I would also like to express my gratitude to the Board of Directors for their guidance and wisdom and to all of the shareholders of CWC who supported us throughout this rocky journey. We are and will continue to make it right.

Sincerely and submitted on behalf of the Board of Directors,

Duncan Au
President & CEO

March 10, 2011

// CORPORATE PROFILE

Central Alberta Well Services Corp. ("CWC") is a publicly traded, premier well servicing company that has been operating in the Western Canadian Sedimentary Basin ("WCSB") since 2005. CWC provides a complementary suite of oilfield services including service rigs, coil tubing, snubbing, nitrogen and well testing. These services are offered through two distinct divisions: Well Servicing and Other Oilfield Services.

Well Servicing

CWC's largest division, Well Servicing, is comprised of a modern fleet of 46 service rigs and 8 coil tubing units, making it the 7th largest service rig provider in the WCSB. Rig services include completions, workovers and abandonments with depth ratings from 1,500 to 5,000 metres. With a focus on leading edge technology, CWC's rig fleet stands out in an industry characterized by ageing equipment infrastructure. Our Class 1, 2 and 3 coil tubing units have depth ratings from 1,500 to 4,000 metres. This puts CWC is a strong position to meet the growing demand for service equipment with greater depth capabilities.

Other Oilfield Services

CWC's Other Oilfield Services division provides a variety of services to assist with the completion and production phases of oil and natural gas wells. Our equipment includes 8 snubbing units, 14 nitrogen pumpers and bulkers, and 12 well testing units.

CWC's equipment and services are available throughout the entire WCSB, from Northeast BC to Southeast SK and throughout Alberta. These services are provided from strategic regional operating locations in Grande Prairie, Whitecourt, Red Deer, Provost and Brooks, AB and in Weyburn, SK. CWC's corporate office is located in Calgary, AB. Management is comprised of experienced oilfield service professionals who have vast experience successfully executing business plans that have focused on creating shareholders value.

The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

INFORMATION ON ANNUAL AND SPECIAL MEETING

The Annual and Special Meeting of the Shareholders of Central Alberta Well Services Corp. will be held on Wednesday, June 8, 2011 at 10:00 a.m. (local time) in the Barclay Room (Plus 30 level), Bow Valley Square Conference Centre, 255-5th Avenue SW., Calgary, Alberta. Shareholders are encouraged to attend and those unable to do so are requested to complete and submit the Instrument of Proxy at their earliest convenience.

FINANCIAL INFORMATION

CWC 2010

// MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Central Alberta Well Services Corp. ("CWC" or the "Company") was prepared and is dated, as of March 23, 2011 and is provided to assist readers in understanding CWC's financial performance for the three and twelve month periods ended December 31, 2010 and significant trends that may affect future performance of the Company. This MD&A should be read in conjunction with CWC's annual audited financial statements for the year ended December 31, 2010, which were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Additional information on the Company, including the 2010 Annual Report and the Annual Information Form ("AIF"), can be found on the Company's website at www.cawsc.com or on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and statements within the meaning of applicable Canadian securities legislation. Certain statements contained in this MD&A, including statements which may contain such words as "anticipate", "could", "continue", "should", "seek", "may", "intend", "likely", "plan", "estimate", "believe", "expect", "will", "objective", "ongoing", "project" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements including management's assessment of future plans and operations, expectations as to the increase in activity levels, expectations with respect to natural gas prices, activity levels in various areas, continuing focus on cost saving measures plans, timing and effects of implementation of IFRS, expectations regarding the level and type of drilling and production activity in the Western Canadian Sedimentary Basin ("WCSB"), and expectations regarding the business, operations and revenues of the Company in addition to general economic conditions. Although the Company believes that the expectations and assumptions on which such forward-looking information and statements are based are reasonable, undue reliance should not be placed on the forward-looking information and statements because the Company can give no assurances that they will prove to be correct. Since forward-looking information and statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oilfield services sector (i.e. demand, pricing and terms for oilfield services; current and expected oil and gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety and environmental risks), integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation, including but not limited to tax laws, royalties and environmental regulations, stock market volatility and the inability to access sufficient capital from external and internal sources and the inability to pay dividends. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through SEDAR at www.sedar.com. The forward-looking information and statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

FINANCIAL HIGHLIGHTS

	YEAR ENDED DECEMBER 31		
$ thousands, except per share amounts, margins and ratios	**2010**	2009	2008
FINANCIAL RESULTS			
Revenue	**$ 68,858**	$ 49,357	$ 78,811
EBITDAS [1]	**12,863**	2,465	17,310
EBITDAS margin (%) [1]	**19%**	5%	22%
Funds from (used in) operations [2]	**10,073**	(1,726)	13,686
Net loss	**(3,944)**	(15,517)	(2,058)
Net loss margin (%)	**(6%)**	(31%)	(3%)
Per share information			
Weighted average number of shares outstanding	**158,959**	35,871	27,737
EBITDAS [1] per share – basic and diluted	**0.08**	0.07	0.62
Funds from (used in) operations per share – basic and diluted	**0.06**	(0.05)	0.49
Net loss per share – basic and diluted	**(0.02)**	(0.43)	(0.07)

	2010	2009	2008
FINANCIAL POSITION AND LIQUIDITY			
Working capital (excluding debt) [3]	**$ 15,790**	$ 7,711	$ 12,238
Working capital (excluding debt) ratio	**3.2:1**	2.3:1	2.3:1
Total assets	**130,678**	134,481	144,194
Total long-term debt	**29,717**	31,730	55,419
Shareholders' equity	**93,708**	96,774	78,879

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

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

[3] Working capital (excluding debt) is calculated based on current assets less current liabilities excluding the current portion of long-term debt. Working capital is used to assist management and investors in assessing the Company's liquidity and its ability to generated funds. Working capital (excluding debt) does not have any meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies. See "Reconciliation of Non-GAAP Measures".

CORPORATE OVERVIEW

CWC is a premier well servicing company operating in the Western Canadian Sedimentary Basin ("WCSB") providing a complimentary suite of oilfield services including service rigs, coil tubing, snubbing, nitrogen and well testing. CWC provides these services through two distinct divisions, Well Servicing and Other Oilfield Services.

CWC's equipment and services can be found throughout the entire WCSB from Northeast BC to Southeast SK and all points in-between in Alberta. These services are provided from strategic regional operating locations in Grande Prairie, Whitecourt, Red Deer, Provost and Brooks, AB and Weyburn, SK. CWC's corporate office is located in Calgary, AB. Management is comprised of experienced oilfield service professionals who have successfully executed business plans in the past that focused on creating shareholders value.

The Company's shares trade on the TSX Venture Exchange under the symbol "CWC".

OVERVIEW AND HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2010

- ***Revenue*** increased by 40% in 2010 to $68.9 million compared to $49.4 million for 2009.
- ***EBITDAS*** [1] increased by 422% in 2010 to $12.9 million compared to $2.5 million for 2009.
- ***Funds From Operations*** [2] increased to $10.1 million for 2010 compared to $(1.7) million for 2009.
- ***Net Loss*** decreased to $(3.9) million for 2010 compared to $(15.5) million for 2009.
- ***Working Capital (excluding Debt)*** [3] increased to $15.8 million as at December 31, 2010 compared to $7.7 million for December 31, 2009.
- ***Total Long-term Debt*** decreased to $29.7 million as at December 31, 2010 compared to $31.7 million for December 31, 2009.

[1,2,3] See corresponding footnote under Financial Highlights.

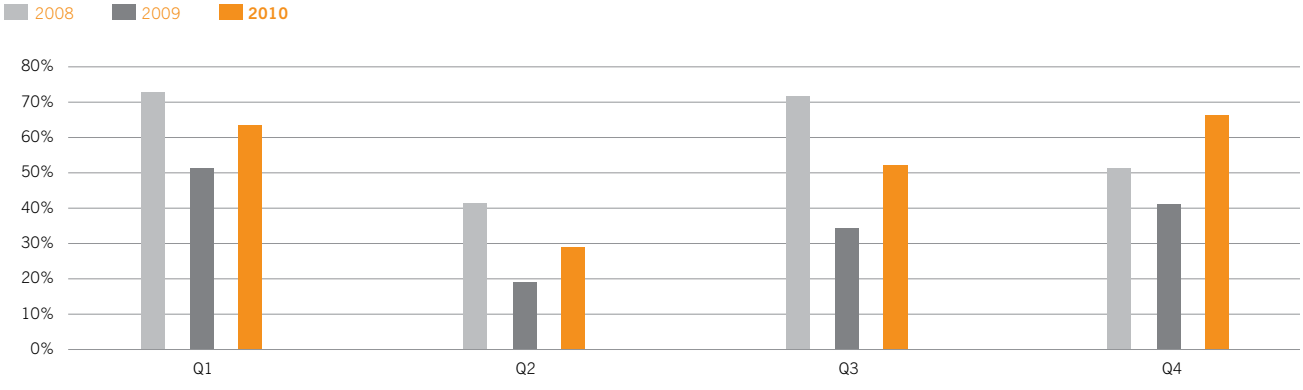
In 2010, CWC recorded strong results as a result of increased customer demand and improving industry conditions. Higher utilizations were achieved in all areas of CWC's operations in 2010 compared to 2009. Over the past eighteen months oil and liquids rich natural gas targets have become the key driver in Canada as a result of strong prices for crude oil. Crude oil prices in 2010 improved nearly 29% compared to 2009. CWC was aware of the emerging trend and efforts were made throughout our operations to shift equipment towards these activities leading to the significant improvement in cash flows in 2010. CWC has enjoyed higher than industry average utilization on its service rig fleet demonstrating its competitive advantage to customers with its modern fleet of equipment and highly capable crews.

The strength and stability of oil prices allows for oil and gas producers to focus on oil drilling in strategic locations such as Montney, Horn River, Cardium, Viking, Bakken and Shaunavon plays and we believe that this trend is sustainable allowing CWC to increase its activity in these areas over the coming year. CWC's operations are located across the WCSB and are able to service all of these important oil related resource opportunities.

Well Servicing

CWC's largest division, Well Servicing, is comprised of a modern and newer fleet of 46 service rigs and 8 coil tubing units making it the 7th largest service rig provider in the WCSB. Rig services include completions, workovers and abandonments with depth ratings from 1,500 to 5,000 metres. This newer service rig fleet, with its leading edge technology, continue to stand out in an industry characterized by ageing equipment infrastructure. Our Class 1, 2 and 3 coil tubing units have depth ratings from 1,500 to 4,000 metres and is well positioned for the changing demand of our customers for deeper depth capabilities. CWC is currently addressing the specific needs of its customers by converting one of its coil tubing units to be a class III unit capable of depths of 4,000 metres.

WELL SERVICES SEGMENT – UTILIZATION

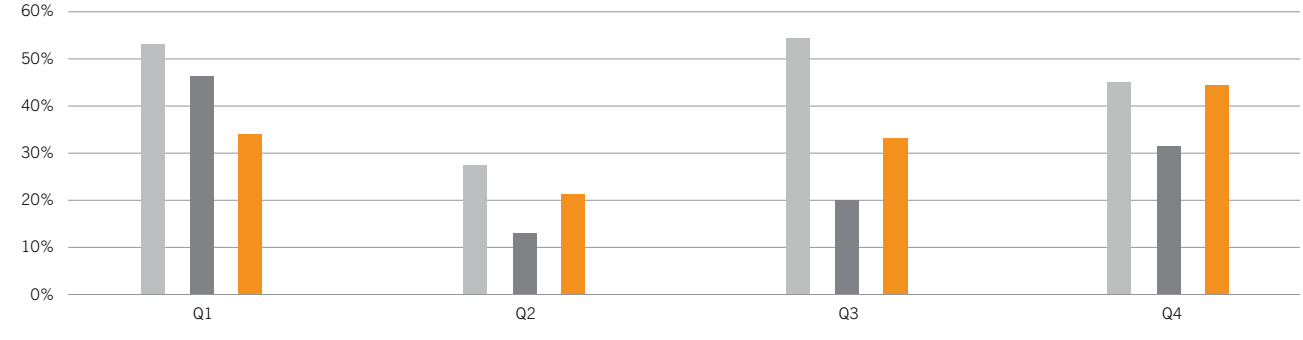


Service rig hours in total increased in 2010 by 51% as compared to the prior year. Overall utilization of our well service equipment, as measured by CWC's internal methodology, has continued to rise from the lows experienced in 2009 and continues to exceed industry averages. The primary driver of activity has been commodity prices, particularly oil prices, which directly impacts spending by customers for exploration and development programs.

Other Oilfield Services

CWC's Other Oilfield Services division provides a variety of services to assist with the completion and production phases of oil and natural gas wells including 8 snubbing units, 14 nitrogen pumpers and bulkers, and 12 well testing units.

OTHER OILFIELD SERVICES SEGMENT – UTILIZATION



Other Oilfield Services division utilization, as measured by CWC's internal methodology, continues to see a steady trend of improvement in 2010 from the lows experienced in 2009. As noted previously, these services have also experienced a positive impact from increased crude oil prices in 2010 leading customers to increase spending and utilize CWC's full suite of equipment and services.

DISCUSSION OF FINANCIAL RESULTS

$ thousands, except margins	YEAR ENDED DECEMBER 31 2010	2009	2008
Revenue			
Well servicing	**$ 53,104**	$ 35,610	$ 55,893
Other oilfield services	**15,754**	13,747	22,918
	68,858	49,357	78,811
Operating expenses			
Well servicing	**33,451**	24,590	35,543
Other oilfield services	**10,247**	10,532	14,985
	43,698	35,122	50,528
Gross margin [1]	**25,160**	14,235	28,283
Gross margin % [1]	**37%**	29%	36%
General and administrative expenses	**12,297**	11,770	10,973
EBITDAS [2]	**12,863**	2,465	17,310
EBITDAS margin (%) [2]	**19%**	5%	22%
Stock based compensation	**990**	1,033	921
Interest	**3,075**	6,419	5,178
Depreciation and amortization	**12,570**	11,010	12,628
Loss on sale of equipment	**222**	22	14
Unrealized (gain) loss on marketable securities	**(50)**	9	–
Net loss before taxes	**(3,944)**	(16,028)	(1,431)

[1] Gross margin is calculated from the statement of income (loss) as Revenue less operating costs and is used to assist management and investors in assessing the Company's financial results from operations excluding fixed overhead costs. Gross margin is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies. See "Reconciliation of Non-GAAP Measures".

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

Revenue

Total revenues for the year ended December 31, 2010 as compared to 2009 has increased substantially reflecting the general recovery in the oil and gas sector and increased demand for CWC's equipment and services.

The Well Servicing division revenue for the year ended December 31, 2010 increased by 49% to $53.1 million as compared to 2009 which was $35.6 million. The increase is directly related to increased utilizations with service rig hours increasing 51% and coil tubing hours improving by 27%. The increased activity has resulted in an increase in our total revenue; however, rates were marginally lower on a year over year basis due to competitive pricing pressure throughout 2010. During the fourth quarter of 2010 rate increases were implemented with customers understanding the increased activity leading to pressure on availability of crews and the quality of services offered.

The Other Oilfield Services division revenue for the year ended December 31, 2010 increased by 15% to $15.8 million as compared to 2009 which was $13.7 million. The increase is the direct result of improved utilizations in all services including snubbing, nitrogen and well testing. Total revenue in this division was up, however, rates continued to come under competitive pressure throughout the year with some modest improvements in snubbing and well testing in Q4 of 2010.

CWC continues to make significant progress in 2010 towards improving the credit worthiness of its customers by focusing on providing services to larger, better financed exploration and production ("E&P") companies. During fiscal 2010 a total of 12 customers, all of which are large or intermediate E&P companies, made up 65% of our total revenues.

Gross margin

Gross margin for 2010 improved by $10.9 million or 77% compared to 2009. The gross margin percentage also improved to 37% for the year compared to 29% in prior year, as a result of increased utilization and revenue in both the Well Servicing and Other Oilfield Services segment and a greater emphasis on cost saving initiatives by converting more of our costs from fixed to variable where possible. Many operating costs are variable in nature and increase or decrease with activity levels such that much of the change in operating costs in the year over year periods is due to the increases in revenues in the current year as compared to the prior year.

General and administrative ("G&A")

G&A for 2010 was $12.3 million (18% of revenue) compared to $11.8 million (24% of revenue) in 2009, an increase of 4.5% or $0.5 million. During fiscal 2010 there were various one time charges totaling $0.8 million as the Company reduced its head count on a permanent basis as well as for replacement of some senior management positions. Other non-recurring costs totaling approximately $0.2 million in 2010 relate to professional fees on various legal matters and consultants for IFRS transition matters. CWC management during the fourth quarter of 2010 also introduced a number of reductions in expenditures that will be permanent in nature and have scaled back substantially on discretionary spending in all areas. Some of these reductions were offset in part by increased compensation costs for short-term incentive compensation accruals consistent with the increase activity levels and profitability of the Company. While the total dollar amount of G&A increased in 2010 the amount as a percentage of revenue has improved as activity has increased. With the increased activity and changes instituted for various costs saving matters, we expect that G&A as a percentage of revenue going forward to continue to reduce on an annualized basis.

EBITDAS

Overall, EBITDAS has grown significantly in 2010 when compared to 2009. EBITDAS for fiscal 2010 was $12.9 million (19% of revenue) compared to $2.5 million (5% of revenue) in 2009, up $10.4 million or 422%. The increase in EBITDAS is a direct result of increased activity levels and utilization rates, primarily the Well Servicing segment, which contributed the bulk of the increase in 2010. EBITDAS provides cash needed to grow our business through the purchase of new equipment or business acquisitions and reduce outstanding bank debt.

Stock-based compensation ("SBC")

SBC for fiscal 2010 was $1 million which was 4% lower than 2009. The non-cash expense related to stock-based compensation plans related to the approximately 9.5 million options outstanding on December 31, 2010.

Interest expense

Interest expense for the year ended December 31, 2010 was $3.1 million compared to $6.4 million in 2009, down $3.3 million or 52%. Interest expense has decreased as a result of the substantial reduction of the long-term debt from a high of approximately $60 million in 2009 to $29.7 million at December 31, 2010 primarily as a result of the proceeds in the rights offering of December 2009 being used to pay down the long-term debt and as such a full year of interest savings was obtained. In addition, accretion expense has declined year over year as a result of less transaction costs to affect the new financing.

Depreciation and amortization

Depreciation and amortization for fiscal 2010 was $12.6 million compared to $11 million in 2009, an increase of $1.6 million or 14% which is a result of an increase in the utilization in the Well Servicing segment as these assets are depreciated on a unit of production basis, which resulted in an increase in depreciation and amortization being incurred in this segment.

Loss on sale of equipment

The Company regularly disposes of non-core property and equipment. During fiscal 2010, the Company had a loss on disposal of $0.2 million as compared to a $22 thousand loss in 2009.

Income taxes

Based on the net loss before taxes of $3.9 million for the year ended December 31, 2010 and an expected income tax rate of 28%, an income tax recovery of $1.1 million would be expected. However, the Company had many non-cash and non-tax-deductible items included in the computation of net loss, including stock-based compensation, and other items which reduced the amount to $0.6 million. Further, the Company recorded a valuation allowance of $0.6 million reducing the income taxes to nil for 2010. The Company estimated under GAAP that it is more likely than not that the income tax recovery would not be recovered based on the history of losses experienced to date. The Company has substantial tax pools and non-capital losses available to reduce future taxable income such that no cash taxes are expected to be payable in 2011 and the foreseeable future depending on growth and profitability of the Company.

Net loss

Net loss for fiscal 2010 was $(3.9) million compared to a loss of ($15.5) million in 2009; an improvement of $11.6 million or 75% from the prior year. The decrease in net loss is a direct result of a 40% increase in revenue in 2010 compared to 2009 due to an increase in well servicing activity levels and improved operating margins. Additionally, management remains focused on driving profitability levels higher, particularly in regards to ongoing cost rationalization initiatives which, in combination with focused efforts to grow revenues, should provide increasing leverage on its fixed cost structure and will eventually result in improved financial performance.

FOURTH QUARTER AND SUMMARY OF QUARTERLY DATA

$ thousands, except per share amounts and equipment fleet	2010				2009			
THREE MONTHS ENDING	**DEC. 31**	**SEPT. 30**	**JUNE 30**	**MARCH 31**	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
Revenue	**$ 23,069**	**$ 16,413**	**$ 9,254**	**$ 20,122**	$ 13,664	$ 10,259	$ 6,397	$ 19,037
EBITDAS [1]	**5,578**	**3,244**	**222**	**3,819**	1,322	(294)	(1,560)	2,997
Net earnings (loss)	**1,232**	**(905)**	**(3,492)**	**(779)**	(3,814)	(5,235)	(5,228)	(1,240)
Net earnings (loss) per share:								
Basic and diluted	**0.01**	**(0.01)**	**(0.02)**	**(0.00)**	(0.06)	(0.19)	(0.18)	(0.05)
Total assets	**130,678**	**128,433**	**126,369**	**137,192**	134,481	133,999	135,998	146,412
Total long-term debt	**29,717**	**29,684**	**29,697**	**31,925**	31,730	59,182	58,647	58,227
Shareholders' equity	**93,708**	**92,440**	**92,983**	**96,253**	96,774	67,921	72,896	77,865
Equipment fleet								
Service rigs	**46**	**46**	**46**	**46**	46	46	44	44
Coil tubing	**8**	**8**	**8**	**8**	8	8	8	8
Snubbing	**8**	**8**	**8**	**8**	8	8	8	8
Nitrogen pumpers and tankers	**14**	**14**	**14**	**14**	14	14	14	14
Well Testing	**12**	**12**	**12**	**12**	12	12	12	12

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

Fourth Quarter Analysis

Revenue

An overview of the quarter-by-quarter analysis shows results have been improving consistently as the year has progressed. Revenue for the fourth quarter of 2010 was $23.1 million; an increase of $9.4 million or 69% from the fourth quarter of 2009 and an increase of $6.7 million or 41% from the third quarter of 2010. During the fourth quarter of 2010 CWC was able to increase rates to its customers in response to the increased activity level. Revenues throughout 2009 were lower as a result of the economic downturn that began late in 2008. 2010 has seen the start of a recovery with year over year increases in activity through all the quarters to date. The second quarter is always one of lower activity as a result of the wet spring conditions which prevent the movement of large equipment.

EBITDAS

EBITDAS has increased year over year in every quarter in 2010 and the fourth quarter reached a level not seen since Q3 2008. 2010 has seen an improvement in EBITDAS from negative amounts through all but two quarters of 2009 to a return to positive EBITDAS for all quarters in 2010. This is directly a result of increased revenue and activity levels sufficient to absorb facility and other fixed costs of the Company as well as cost control measures that were implemented throughout the economic downturn. Higher gross margin percentages quarter over quarter is evidence of improved utilization and rates which continue to strengthen as customer demand remains robust.

Net earnings (loss)

The fourth quarter of 2010 was a significant shift for CWC recording positive earnings for the first time in over two years. Improvements are as a result of activity increases coupled with the lower interest costs being incurred by the Company as result of the debt refinancing completed in April 20, 2010, and partially offset by increased depreciation on service rigs subject to a unit of production methodology. The Company had been in violation with the previous financial covenants and as a result was paying penalty interest of an additional 5%. The refinancing on April 20, 2010 included revised financial covenants that are achievable. In addition, the rights offering that closed in December 2009 reduced the debt outstanding by 50%, thereby significantly reducing the corresponding interest.

Total assets

Overall total assets has remained consistent throughout the quarters with the only significant changes being the result of lower activity in the second quarter resulting in a lower accounts receivable balance and continued depreciation on the Company's fleet of equipment reducing the net book value.

Total long-term debt

Total long-term debt increased through the first three quarters of 2009 as the Company drew on the full amount available under the term debt to complete a capital build program initiated in 2008. The equity rights offering closed in the fourth quarter of 2009 reduced the debt outstanding by 50% and increased equity. Since the close of the rights offering total long-term debt has changed little as no principal repayments are required on the refinanced debt until April 2011.

Shareholders' equity

Shareholders' equity increased by $28.9 million from the third to fourth quarter of 2009 mainly as a result of the rights offering, partially offset by stock based compensation and the loss for the period. Shareholders' equity has changed little since the rights offering other than declines as a result of losses and increased stock based compensation.

Quarter by Quarter Analysis

A comparison of CWC's quarterly results, at any given time, requires consideration of movement in crude oil and natural gas pricing and seasonality over the past two years. Commodity prices affect the level of exploration and development activities carried out by the Company's customers and the associated demand for the oilfield services provided by CWC. During 2009, CWC's financial and operating results were impacted by the global economic recession. In 2009, CWC faced declining market conditions company-wide as a result of lower commodity prices and a decline in customer activity. These downward financial and operational trends in 2009 were directly tied to the global recession, tight capital markets, and sustained lows for energy commodity prices, particularly natural gas. Activity began to improve in the first half of 2010 and strengthened significantly in the second half of the year. Revenue levels grew during the year due to higher activity. During the fourth quarter pricing in the well servicing division were increased and gross margin percentage increased accordingly.

Seasonality

The level of activity in the oilfield service industry is influenced by seasonal weather patterns. During the spring months, wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of service equipment which reduces activity levels and places an increased level of importance on the location of the Company's equipment prior to imposition of road bans. The timing and length of road bans is dependent on the weather conditions leading to the spring thaw and weather conditions during the thaw period. The Company's business results depend, at least in part, upon the severity and duration of the Canadian winter and the spring thaw which may lead to reduced oil and gas exploration activity and corresponding declines in the demand for the Company's service equipment during those times.

FINANCIAL RESOURCES AND LIQUIDITY

$ thousands, except ratios	2010				2009			
THREE MONTHS ENDING	**DEC. 31**	**SEPT. 30**	**JUNE 30**	**MARCH 31**	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
Working capital (excluding debt) [1]	**$ 15,790**	**$ 10,050**	**$ 7,829**	**$ 10,507**	$ 7,711	$ 4,537	$ 5,919	$ 9,747
Working capital (excluding debt) ratio	**3.2:1**	**2.6:1**	**3.1:1**	**2.2:1**	2.3:1	1.6:1	2.3:1	2.0:1
Long-term debt	**29,717**	**29,684**	**29,697**	**31,925**	31,730	59,182	58,647	58,227
Shareholders' equity	**93,708**	**92,440**	**92,983**	**96,253**	96,774	67,921	72,896	77,865
Debt to equity	**0.32**	**0.32**	**0.32**	**0.33**	0.33	0.87	0.80	0.75

[1] Working capital (excluding debt) is calculated based on current assets less current liabilities excluding the current portion of long-term debt. Working capital is used to assist management and investors in assessing the Company's liquidity and its' ability to generated funds. Working capital (excluding debt) does not have any meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies. See "Reconciliation of Non-GAAP Measures".

Working capital

Working capital (excluding debt) at December 31, 2010 was $15.8 million (December 31, 2009 – $7.7 million). The working capital (excluding debt) ratio of 3.2:1 (December 31, 2009 – 2.3:1) indicates that the Company remains in a strong liquidity position. The increase in working capital is the result of improved operating results over the prior year from higher overall activity levels.

Long-term debt and credit facility

Long-term debt at December 31, 2010 was $29.7 million (December 31, 2009 – $31.7 million). On April 20, 2010, the Company secured an operating facility which is margined to the Company's accounts receivable to a maximum of $10.0 million, at an interest rate ranging from bank prime plus 1.25% to bank prime plus 2.0%. The operating line is committed until April 30, 2011 and the Company is currently negotiating with the lenders for a renewal of the operating credit facility and we are confident that this will be renewed on similar or possibly more favorable terms. As at December 31, 2010, the amount available under the line was $9.7 million with $1.4 million drawn. A general security agreement providing a security interest against all accounts receivable and a second fixed charge over all other assets has been provided as security for this agreement. In April 2010, the Company also secured a term debt facility of $30.0 million. This long-term debt facility is for a period of three years with interest only payments in the first year, monthly principal payments of $500,000 in the second year, commencing April 2011, and $750,000 in the third year, commencing April 2012. This term debt has a fixed interest rate of 8.045% and is secured with a first charge over fixed assets, a general security agreement over all remaining assets and an assignment of insurance. Under the terms of the credit facilities, the Company is required to comply with certain financial covenants. As of December 31, 2010, the Company is in compliance with each of the financial covenants under the agreements. CWC does not anticipate any financial resource or liquidity issues to restrict its future operating, investing or financing activities.

Shareholders' equity

Shareholder's equity on December 31, 2010 was $93.7 million (December 31, 2009 – $96.8 million), a decrease of $3.1 million. As of March 23, 2011, the Company had 157,066,428 common shares outstanding. On February 28, 2011, 1,672,935 common shares were cancelled as consideration for a shareholder loan. As at December 31, 2010 and March 23, 2011 the Company has 9,492,835 stock options outstanding.

Debt to equity

Debt to equity was 0.3:1 as at December 31, 2010 compared to 0.3:1 as at December 31, 2009 indicating the Company remains conservative in its use of leverage.

Capital expenditures

Capital expenditures for fiscal 2010 were a modest $1.2 million; $0.3 million of which relates to upgrades and improvements to the service rig, nitrogen and snubbing fleets and $0.3 million in improvements to the corporate infrastructure such as computer hardware and software and furniture utilized by the Company. The balance of the capital expenditures of $0.6 million was for deposits for the construction of a new mobile slant service rig as part of the 2011 growth capital budget. In light of improved activity levels the Board of Directors of the Company has approved a $4.4 million capital expenditure program in 2011 to build a mobile slant service rig and a Class III coil tubing unit. All capital expenditures will be financed from future operating cash flows and current credit facilities as management is confident in the increased activity levels being sustainable to allow for this growth to occur and any shortfall in operating cash flows will be financed with current credit facilities. Management will continue to monitor market conditions and adjust spending as needed based on activity levels.

Capital requirements

It is anticipated future cash requirements for capital expenditures will be met through a combination of funds generated from operations and existing bank debt facilities as required. However, additional funds may be raised by additional bank debt, other forms of debt, the sale of assets, or the issue of equity. CWC may require additional financing in the future to implement its strategies and business objectives. It is possible that such financing will not be available, or if available, will not be available on favorable terms. If CWC issues any shares in the future to finance its operations or implement its strategies, the current shareholders of CWC may incur a dilution of their interest.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

	2011	2012	2013	2014 AND BEYOND
Long-term debt	$ 4,500,000	$ 8,250,000	$ 17,250,000	$ 24,500
Rent	1,003,844	727,133	332,607	202,249
Other operating leases	130,265	42,527	3,769	–
Total obligations	$ 5,634,109	$ 9,019,661	$ 17,586,375	$ 226,749

Beginning in April 2011, the Company is committed to monthly principal payments of $500,000 in relation to the long-term debt. Management believes that based on anticipated activity levels for its services there will be sufficient cash flows generated from operations to service the debt repayment and finance the growth capital of the Company.

OUTLOOK

There is a renewed sense of optimism that is taking hold for 2011 in the WCSB. Oil prices, which are a significant contributor to the economic conditions in Western Canada, continue to strengthen and have been magnified recently by various geopolitical events in the Middle East.

Petroleum Services Association of Canada ("PSAC") is forecasting an increase in drilling activity by 4% to 12,750 wells in 2011 and that oil prices will remain at levels necessary to encourage drilling in areas such as Saskatchewan and northeast Alberta. Conversely, PSAC anticipates that natural gas prices will remain relatively low and without significant improvement through 2011. CWC is presently dedicating 90% of its Well Servicing fleet to oil-related activities, enabling it to capitalize on a continuing strong oil price. CWC has made conscious steps towards strategically positioning assets in the appropriate geographic regions most affected and as such the Company expanded and relocated service rigs to its facilities in Grande Prairie, Alberta to service the Peace River Arch and the emerging Pekisko and Beaver Hill Lake plays at Judy Creek as well as Weyburn, Saskatchewan to service the Bakken play, and we expect to continue this trend through 2011. The Company is also well positioned to benefit from the increased activity levels in the Cardium play through its operational head office in Red Deer, Alberta and the continued oil-related activity in the Viking play with its facilities in Provost, Alberta.

Oil wells are generally more service intensive and require service rigs in many cases for these services, and given that customers are focused largely on oil and liquids-rich natural gas for 2011, should lead to improved results on a year over year basis for CWC in 2011. Equipment utilization in our Well Servicing segment remains very strong through the first quarter of 2011 and should lead to improved financial performance.

In January 2011, the Company announced a new senior management team that will be focused on strategically growing the operations of CWC. This new management team has extensive experience in the energy services sector and has already implemented cost reduction initiatives and initiated business unit rationalization. CWC's core business is Well Servicing comprised of service rigs and coil tubing units. Supporting this core business is our Other Oilfield Service offerings of snubbing, nitrogen and well testing. We need to remain focused on what we do well and draw upon those strengths to be the best-in-class well servicing company. In this regard, CWC has embarked upon a new and timely vision to look for opportunities to grow its Well Servicing division and rationalize some of its non-core assets at a fair and reasonable price. By moving towards a focused Well Servicing business model, CWC believes there would be a greater probability of success in creating shareholder value.

CWC is well positioned to capitalize on improved oil-related activities in the WCSB, with a strong balance sheet, working capital (excluding debt) of 3.1:1 and no significant maturities, other than the monthly installments required, under its bank credit facility until April 2013.

CRITICAL ACCOUNTING ESTIMATES

This MD&A of the Company's financial condition and results of operations is based on the financial statements which are prepared in accordance with Canadian GAAP. The presentation of these financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. These estimates are based on experience and assumptions that are believed to be reasonable under the circumstances. Although care has been taken, anticipating future events cannot be done with certainty, therefore actual results may vary from these estimates over time as more accurate information is available and as the Company's operating environment changes.

Allowance for doubtful accounts receivable

The Company performs periodic credit evaluations of its customers and grants credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. The history of bad debt losses of the Company has been within expectations and is generally limited to specific customer circumstances. However, given the cyclical nature of the energy industry, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

Impairment of long-lived assets

Long-lived assets, including property and equipment and intangible assets, comprise a majority of the Company's assets. Management reviews the carrying values of these assets for impairment periodically or whenever events or changes in circumstance indicate that their carrying value may not be recoverable. When this occurs, management performs various tests to see if the net carrying value differs from fair value, and if the fair value is less than the carrying value, the asset would be considered to be impaired, and an impairment loss would be recognized to reduce the asset's carrying value to its estimated fair value. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Depreciation and amortization

The Company's property, plant, equipment and intangibles are depreciated and amortized over estimated useful life using both straight line and unit-of-production methods. The estimates may change over time as more useful information becomes available, market conditions shift or other factors change the estimated useful life of the assets.

Stock-based compensation

Stock-based compensation expense associated with the stock-option rights granted to directors and employees is calculated based on assumptions using the Black-Scholes option pricing model to produce an estimate of compensation. This estimate may vary due to changes in the Black-Scholes variables, which include the risk free rate of return, the share price volatility and the rates of forfeiture.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, the Corporation 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The three month period ending March 31, 2011 will be the first period under which CWC will be required to present its results in accordance with International Financial Reporting Standards ("IFRS"). The Company continues to finalize IFRS transitional activities but does not anticipate any significant impacts on the Company's business, operations or strategies.

As of the date of this report, Management is in the process of completing the opening balance sheet under IFRS and has identified the key areas where financial statement differences will result from the conversion to IFRS. The discussion and estimates that follow is intended to highlight significant areas identified to date which management believes may be relevant to presentation of the Company's balance sheet and related changes to accounting policies on the transition date of January 1, 2010. These discussions and estimates are not intended to be a complete compilation of changes and should not be regarded as such.

IFRS 1 – First time adoption of IFRS

The initial application of IFRS requires an entity to comply with each IFRS standard effective on the transition date. This requires retroactive restatement of the financial statements where there are differences in the application of IFRS from Canadian GAAP. IFRS 1 provides certain exemptions and exceptions from the retroactive restatement requirement in specific areas. Of the exceptions and exemptions provided, CWC expects to utilize the exemption not to restate business combinations prior to the date of transition and the exemption to not reassess contracts previously assessed under EIC-150 to determine if those contracts contained a lease on the date of transition.

IAS 16 – Property and equipment

IAS 16 requires that assets be separated into their component parts and depreciation be expensed on a systematic basis over the useful life of the componentized assets. Due to the relative age of the Company's equipment and the recent construction of many of the units in the Company's fleet, the Company had sufficient information in order to develop a componentized list of its existing assets. In addition, the Company determined that its policies for depreciation under Canadian GAAP remained applicable under IFRS.

IAS – 1 Financial statement presentation

At January 1, 2010 CWC had a facility for $30 million that was due on January 26, 2010. The Company was in breach of the covenants associated with this loan and had not obtained a waiver. On April 20, 2010 the Company refinanced this amount and reclassified the debt to long-term under Canadian GAAP as the refinancing occurred prior to the release of the financial statements. Under IFRS, unless the debt was refinanced and waivers obtained prior to the balance sheet date, the debt must be classified as current. As a result, the Company has reclassified the debt of $30.0 million from long-term to current liabilities.

IAS 17 – Leases

IAS 17 does not provide the quantitative guidance to determine the nature of a lease, as is provided for under Canadian GAAP. IAS 17 instead provides the term "substantially all" of an assets life to ascertain the treatment of the lease. As a result, many of the leases classified as operating leases under Canadian GAAP will be classified as finance leases under IFRS. The impact on the opening balance sheet is an increase in debt of approximately $260,000 and increase in the carrying value of property and equipment of $258,000. The reclassification of these leases will generate a small increase to depreciation expense and interest expense in future periods, offset by a reduction in operating expenses.

IAS 36 – Impairment of assets

IFRS requires a one-step impairment test for identifying and measuring impairment where indicators of impairment exist. The impairment test must be conducted at the Cash Generating Unit "CGU" level. The CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. As a result of the value in use calculation, it was determined that impairment existed in two of the company's CGU's and a write-down of assets is expected as a result that will be recorded in opening retained earnings or deficit.

IFRS 2 – Share-based payments

Under IFRS, share based payments that vest equally over a period of time; each vesting is required to be treated as a separate issuance and be subject to graded vesting. In addition, IFRS requires that only the unvested portion of share based payments is recalculated on transition and allows the fully vested portion associated with payments that were never exercised to be reversed on transition. As a result of these differences, CWC is expecting a small increase relating to the unvested portion of the share based payments and decrease in contributed surplus and a corresponding increase in retained earnings as a result of the adjustment relating to the fully vested options that had never been exercised.

IFRS 3 – Business combinations

The Company has elected to use the IFRS 1 exemption to not adopt IFRS 3 requirements for business combinations occurring prior to the transition date.

In addition to the changes detailed above, management anticipates there will be a significant increase in the disclosures required under IFRS. Management also expects the transition to IFRS to affect financial reporting processes, certain business processes, internal controls over financial reporting and information systems.

As part of the transition plan adopted by the Company, all necessary levels of the Company's business were educated and trained on relevant IFRS knowledge. CWC worked with key finance and operational staff throughout 2010. The IFRS education included an IFRS session available to senior management and the board of directors and an update of IFRS activities and outstanding tasks to complete the changeover was provided at each Audit Committee meeting throughout 2010. This included a full discussion of the exemptions and exceptions available to the Company and the examination of the Company's reasoning for electing or not electing for each.

RECONCILIATION OF NON-GAAP MEASURES

	YEAR ENDED DECEMBER 31		
$ thousands	**2010**	2009	2008
NON-GAAP MEASURES			
EBITDAS [1]:			
Net loss before taxes	**$ (3,944)**	$ (16,028)	$ (1,431)
Add:			
Depreciation and amortization	**12,570**	11,010	12,628
Interest	**3,075**	6,419	5,178
Stock based compensation	**990**	1,033	921
Loss on sale of equipment	**222**	22	14
Unrealized (gain) loss on marketable securities	**(50)**	9	–
EBITDAS	**$ 12,863**	$ 2,465	$ 17,310
Funds from (used in) operations [2]:			
Cash flows from (used in) operating activities	**$ 3,708**	$ (2,636)	$ 10,120
Add:			
Change in non-cash working capital	**6,365**	910	3,566
Funds flow from (used in) operations:	**$ 10,073**	$ (1,726)	$ 13,686
Gross margin [3]:			
Revenue	**$ 68,858**	$ 49,357	$ 78,811
Less:			
Operating expenses	**(43,698)**	(35,122)	(50,528)
Gross margin	**$ 25,160**	$ 14,235	$ 28,283
Working capital (excluding debt) [4]:			
Current Assets	**$ 23,042**	$ 13,689	$ 21,622
Less:			
Current Liabilities	**(11,752)**	(7,683)	(9,384)
Add:			
Current portion of long-term debt	**4,500**	1,705	–
Working capital (excluding debt)	**$ 15,790**	$ 7,711	$ 12,238

[1,2,3,4] See corresponding footnote under Financial Highlights and Discussion of Financial Results.

RISK MANAGEMENT

Certain activities of the Company are affected by factors that are beyond its control or influence. Additional risks and uncertainties that management may be unaware of, or that they determine to be immaterial may also become important factors which affect the Company. Along with risks discussed in this MD&A, other business risks faced by the Company may be found under "Risk Factors" in the Company's Annual Information Form dated March 23, 2011 which is available under the Company's profile at www.sedar.com. The general risk factors associated with CWC's business and operations are as follows:

Volatility of industry conditions

The demand, pricing and terms for oilfield services in the Company's existing or anticipated service areas largely depends upon the level of exploration and development activity for both crude oil and natural gas in the WCSB. Oil and natural gas industry conditions are influenced by numerous factors over which the Company has no control, including: oil and natural gas prices; expectations about future oil and natural gas prices; levels of consumer demand; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; available pipeline and other oil and natural gas transportation capacity; weather conditions; political, regulatory and economic conditions; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas exploration and production industry in the WCSB is volatile. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for drilling and well services by oil and natural gas exploration and production entities. A material decline in crude oil or natural gas prices or industry activity could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Lower oil and natural gas prices could also cause the Company's customers to seek to terminate, renegotiate or fail to honour the Company's services contracts; affect the fair market value of the Company's equipment fleet which in turn could trigger a writedown for accounting purposes; affect the Company's ability to retain skilled oilfield services personnel; and affect the Company's ability to obtain access to capital to finance and grow the Company's business.

Seasonal risk

The level of activity in the oilfield service industry is influenced by seasonal weather patterns. During the spring months, wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of service equipment which reduces activity levels and places an increased level of importance on the location of the Company's equipment prior to imposition of road bans. The timing and length of road bans is dependent on the weather conditions leading to the spring thaw and weather conditions during the thaw period. The Company's business results depend, at least in part, upon the severity and duration of the Canadian winter and the spring thaw which may lead to reduced oil and gas exploration activity and corresponding declines in the demand for the Company's service equipment during those times.

Access to additional financing

CWC may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combinations. There can be no assurance that additional capital will be available to CWC when needed or on terms acceptable to CWC. CWC's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit growth and may have a material adverse effect upon the Company. Where additional financing is raised by the issuance of Shares or securities convertible into Shares, control of CWC may change and Shareholders may incur dilution to their investment. CWC's activities may also be financed partially or wholly with debt, which may increase CWC's debt levels above industry standards.

Credit risk and economic dependence

The Company's policy is to enter into agreements with customers that are well-established and well-financed within the oil and gas industry. There is always a risk relating to the financial stability of customers and their ability to pay. Management will continue to periodically assess the credit worthiness of all its customers and views the credit risk on its accounts receivable as normal for its industry.

Government regulation

The oil and gas service industry is subject to regulation and intervention by governments in such matters as environmental protection controls, safety matters and control over the development and abandonment of oil and gas wells. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could increase or reduce demand for equipment, increase costs and may have a material adverse impact on the Company.

In Alberta, the government royalty rates on conventional oil and natural gas fluctuate, depending on when a well was drilled, well depth, well production volume and the price of oil and natural gas. On October 25, 2007 the Alberta Government introduced a new royalty regime which became effective on January 1, 2009 and was applicable to all existing conventional oil and natural gas wells in Alberta. The new royalty regime assessed the applicable royalty rate on a well by well basis using a sliding scale which took into account the price of oil and/or natural gas and the well's production volumes.

On November 19, 2008 and November 24, 2008 the Alberta Government announced details of an optional five-year transitional royalty program. This transitional program applied to conventional oil and natural gas wells drilled to measured depths between 1,000 to 3,500 meters between November 19, 2008 and January 1, 2014. For each well, the producer could make a one time election to produce the well under the old royalty regime or the new royalty regime. As of January 1, 2014 all production subject to the transitional program was to revert to the new royalty regime.

In March 2009, the Alberta Government announced additional incentives and in June 2009 announced a competitiveness review of the royalty program. The results of the competitiveness review were released in March, 2010 and effectively restored the royalty regime to a similar position prior to the changes introduced in 2007. This was effective January, 2011. CWC believes that the initial changes to the royalty regime in Alberta had a negative impact on the exploration and production activity among oil and natural gas companies operating in Alberta and reduced the demand for the services and equipment provided by CWC during the period of changes.

Competition

The operating climate within the Western Canadian Sedimentary Basin is very competitive, resulting in fluctuations of price and utilization rates. The Company attempts to mitigate these risks by creating a good working relationship with its customers and focusing on longer term contracts. The Company's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Company or that new or existing competitors will not enter the various markets in which the Company is active. In certain aspects of its business, the Company also competes with a number of small and medium-sized companies, which, like the Company, have certain competitive advantages such as low overhead costs and specialized regional strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue to the Company.

Vulnerability to market changes

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

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 drilling and 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.

Reliance on personnel

The success of the Company is dependent upon its management, technical and field personnel. Any loss of the services of such individuals could have a material adverse effect on the business and operations of the Company. The ability of the Company to expand its services is dependent upon its ability to attract additional qualified employees. The ability to secure the services of additional personnel is constrained in times of strong industry activity.

Alternatives to and changing demand for petroleum products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Interest rate risk

The term facility the Company secured on April 20, 2010, is fixed for three years at 8.045%. As a result, the Company has minimized its exposure to interest rate risk for the next three years on this debt. The operating line secured by the Company is at a variable rate based on prime. Management currently does not see this risk as significant due to Canada's history of reasonably stable interest rates and their expectations of future interest rates.

Legal proceedings

The Company is involved in litigation from time to time in the ordinary course of business. No assurance can be given as to the final outcome of any legal proceedings or that the ultimate resolution of any legal proceedings will not have a material adverse effect on the Company.

Failure to realize anticipated benefits of acquisitions

The Company makes acquisitions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions, retaining key employees and customer relationships and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources, may divert management's focus from other strategic opportunities and operational matters and ultimately the Company may fail to realize anticipated benefits of acquisitions.

Environmental liability

The Company is subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Company's operations. The Company has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Company may have the benefit of insurance maintained by it or the operator; however the Company may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons. The Company's customers are subject to similar environmental laws and regulations, as well as limits on emissions to the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Company cannot predict the nature of the restrictions that may be imposed. The Company may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

// MANAGEMENT'S REPORT AND INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S REPORT

To the Shareholders of Central Alberta Well Services Corp.

The audited balance sheets of Central Alberta Well Services Corp. as at December 31, 2010 and 2009 and the statements of loss, comprehensive loss and deficit, and cash flows for the years ended December 31, 2010 and 2009 have been prepared by management. It is management's responsibility to ensure that sound judgment, appropriate accounting principles and methods, and reasonable estimates have been used in the preparation of this information. Management also ensures that all information presented is consistent.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through the Audit Committee. The Committee reviews the financial statements and annual report, and recommends them to the Board for approval. The Committee meets with management and external auditors to discuss internal controls, auditing matters, and financial reporting issues. External auditors have full and unrestricted access to the Audit Committee. The Committee also recommends a firm of external auditors to be appointed by the Shareholders.

Duncan Au
President and Chief Executive Officer

Kevin Howell
Chief Financial Officer

Calgary, AB
March 23, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders

We have audited the accompanying financial statements of Central Alberta Well Services Corp. ("the Company"), which comprise the balance sheets as at December 31, 2010 and 2009, the statements of loss, comprehensive loss and deficit and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Calgary, Canada
March 23, 2011

// BALANCE SHEETS

As at December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash	**$ –**	$ –
Marketable securities	**66,712**	2,267
Accounts receivable	**19,578,918**	10,238,597
Shareholder loans (note 12)	**572,983**	189,101
Inventory	**2,638,383**	2,995,657
Prepaid expenses and deposits	**185,143**	263,048
	23,042,139	13,688,670
Property and equipment (note 4)	**104,555,700**	116,426,485
Shareholder loans (note 12)	**283,021**	986,017
Intangible assets (note 5)	**2,796,871**	3,379,843
	$ 130,677,731	$ 134,481,015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 6)	**$ 1,379,442**	$ 585,767
Accounts payable and accrued liabilities	**5,872,597**	4,179,777
Warrants (note 7)	**–**	1,211,768
Current portion of long-term debt (note 8)	**4,500,000**	1,705,362
	11,752,039	7,682,674
Long-term debt (note 8)	**25,217,352**	30,024,500
	36,969,391	37,707,174
SHAREHOLDERS' EQUITY		
Share capital (note 9 (a))	**110,773,572**	111,080,416
Contributed surplus (note 9(c))	**8,514,563**	7,328,741
Deficit	**(25,579,795)**	(21,635,316)
	93,708,340	96,773,841
	$ 130,677,731	$ 134,481,015

See accompanying notes to financial statements.

Approved on behalf of the Board,

Gary Bentham, *Director*

Duncan Au, *Director*

// STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

For the years ended December 31, 2010 and 2009

	2010	2009
REVENUE	**$ 68,858,128**	$ 49,357,355
EXPENSES		
Operating expenses	**43,698,087**	35,122,031
General and administrative	**12,296,688**	11,770,649
Stock based compensation	**990,154**	1,033,571
Interest	**3,075,568**	6,418,833
Depreciation	**11,987,580**	10,422,011
Amortization	**582,972**	587,973
Loss on sale of equipment	**221,971**	22,013
Unrealized (gain) loss on marketable securities	**(50,413)**	8,848
	72,802,607	65,385,929
NET LOSS BEFORE TAX	**(3,944,479)**	(16,028,574)
INCOME TAXES (note 11)	**–**	(512,000)
NET LOSS AND COMPREHENSIVE LOSS	**(3,944,479)**	(15,516,574)
DEFICIT, BEGINNING OF YEAR	**(21,635,316)**	(6,118,742)
DEFICIT, END OF YEAR	**$ (25,579,795)**	$ (21,635,316)
NET LOSS PER SHARE (note 9 (d))		
Basic and diluted loss per share	**$ (0.02)**	$ (0.43)

See accompanying notes to financial statements.

// STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and 2009

	2010	2009
CASH PROVIDED BY (USED IN):		
OPERATING:		
Net loss	$ (3,944,479)	$ (15,516,574)
Items not affecting cash:		
Stock based compensation	990,154	1,033,571
Interest on shareholder loans	(20,962)	(3,251)
Accretion of debt financing costs and warrants	306,081	2,231,280
Loss on disposal of assets	221,971	22,013
Unrealized (gain) loss on marketable securities	(50,413)	8,848
Future income tax (reduction)	–	(512,000)
Depreciation and amortization	12,570,552	11,009,984
	10,072,904	(1,726,129)
Change in non-cash working capital (note 15)	(6,364,665)	(910,226)
	3,708,239	(2,636,355)
INVESTING:		
Purchase of property and equipment	(1,225,017)	(13,627,666)
Proceeds on sale of assets	265,129	5,360,609
Decrease in restricted cash	–	–
	(959,888)	(8,267,057)
FINANCING:		
Bank indebtedness	793,675	585,767
Issue of long-term debt	30,000,000	2,300,000
Retirement of long-term debt	(31,900,000)	(28,100,000)
Warrants (note 7)	(1,212,121)	–
Debt financing costs and warrants	(429,905)	–
Transaction costs	–	(592,066)
Issuance (repurchase) of common shares (note 9 (a))	–	32,970,139
	(2,748,351)	7,163,840
INCREASE (DECREASE) IN CASH	–	(3,739,572)
CASH, BEGINNING OF PERIOD	–	3,739,572
CASH, END OF PERIOD	$ –	$ –
Supplementary Information:		
Interest paid	$ 2,790,270	$ 4,199,115
Interest received	7,221	8,311

See accompanying notes to financial statements.

// NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

1. DESCRIPTION OF BUSINESS:

Central Alberta Well Services Corp. ("CWC" or the "Company") is an oilfield services company providing production services to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin.

2. BASIS OF PRESENTATION:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP").

Certain prior period amounts have been reclassified to conform to the current period's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES:

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ materially from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and the framework of the significant accounting policies summarized below:

a) Inventory:

Inventory is comprised of operating supplies and spare parts and is carried at the lower of average cost and net realizable value.

b) Property and equipment and intangible assets:

Property and equipment and intangible assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are provided taking into consideration the estimated useful lives of the assets, using the following methods and annual rates:

ASSETS	METHOD	RATE
Service rigs	Unit of production	24,000 operating hours
Production units	Straight-line	3 to 10 years
Other field equipment	Straight-line	2 to 10 years
Computers, furniture and office equipment	Straight-line	3 to 5 years
Intangible assets	Straight-line	3 to 10 years

Assets under construction are not depreciated until they are available for use. Assets are tested for impairment as deemed necessary by changing circumstances that could indicate an impairment in the carrying value.

c) Long-term debt:

Long-term debt is accounted for at its amortized cost, using the effective interest method. Transaction costs are incremental costs that are attributable to the acquisition, issue, or disposal of a financial instrument. Transaction costs are offset against the associated debt and amortized using the effective interest method.

d) Income taxes:

The Company follows the asset and liability method of accounting for income taxes, whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying value of assets and liabilities and their tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset would not be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

e) Revenue recognition:

Revenue is recognized when services are rendered and collection is reasonably assured. The Company's services are generally sold based upon contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates.

f) Per share amounts:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated using the treasury stock method whereby the proceeds obtained on exercise of stock options, where market value exceeds exercise price, would be used to purchase common shares at the average price during the period. The weighted average number of shares is then adjusted by the net change.

g) Stock-based compensation:

The Company has equity incentive plans, which are described in note 9(b). The fair value of the stock options is calculated at the date of grant using the Black-Scholes option pricing model. The resulting values are recorded as compensation cost over the associated vesting period with an offsetting credit to contributed surplus. Upon exercise, the associated amounts will be reclassified from contributed surplus to share capital. Consideration paid upon exercise of options will be credited to share capital.

h) Use of estimates:

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions regarding significant items such as amounts relating to depreciation and amortization, allowance for doubtful accounts, future income taxes, stock-based compensation expense, impairment assessments of property and equipment and intangible assets that affect the amounts reported in the financial statements and accompanying notes. Changes in facts and circumstances may result in revised estimates, and actual results may differ from these estimates.

i) International Financial Reporting Standards:

On February 13, 2008, the Accounting Standards Board ("AcSB") confirmed that the changeover to International Financial Reporting Standards ("IFRS") from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements, effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010. The adoption date of January 1, 2011 will require restatement of the Company's financial statements for comparative purposes, for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

4. PROPERTY AND EQUIPMENT:

DECEMBER 31, 2010	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Service rigs	**$ 58,223,986**	**$ 12,174,169**	**$ 46,049,817**
Production units	**32,640,060**	**12,504,680**	**20,135,380**
Other field equipment	**59,065,137**	**22,092,458**	**36,972,679**
Computers, furniture and office equipment	**2,153,547**	**1,635,324**	**518,223**
Assets under construction	**879,601**	**–**	**879,601**
	$ 152,962,331	**$ 48,406,631**	**$ 104,555,700**

DECEMBER 31, 2009	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Service rigs	$ 59,585,423	$ 9,421,011	$ 50,164,412
Production units	32,485,235	9,806,362	22,678,873
Other field equipment	59,649,769	17,018,640	42,631,129
Computers, furniture and office equipment	1,814,501	1,122,376	692,124
Assets under construction	259,947	–	259,947
	$ 153,794,875	$ 37,368,390	$ 116,426,485

5. INTANGIBLES ASSETS:

DECEMBER 31, 2010	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Leasehold interest	$ 55,000	$ 27,417	$ 27,583
Developmental technologies	321,000	307,962	13,038
Trade name	1,300,000	617,481	682,519
Customer relationships	3,950,000	1,876,269	2,073,731
	$ 5,626,000	$ 2,829,129	$ 2,796,871

DECEMBER 31, 2009	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Leasehold interest	$ 55,000	$ 21,645	$ 33,355
Developmental technologies	321,000	255,762	65,238
Trade name	1,300,000	487,485	812,515
Customer relationships	3,950,000	1,481,265	2,468,735
	$ 5,626,000	$ 2,246,157	$ 3,379,843

6. BANK INDEBTEDNESS:

On April 20, 2010, the Company secured an operating facility which is margined to the Company's accounts receivable to a maximum of $10.0 million, at an interest rate ranging from bank prime plus 1.25% to bank prime plus 2.0%. The operating line is committed until April 30, 2011. As at December 31, 2010, the amount available under the line was $9.7 million with $1.4 million drawn. A General Security agreement providing a security interest against all accounts receivable and a second fixed charge over all other assets has been provided as security for this agreement.

The facility requires the company to comply with certain financial and non-financial covenants that are typical for this type of arrangement. The Company was in compliance with all debt covenants for the year ended December 31, 2010.

7. WARRANTS:

As part of the $60 million long-term credit facility entered into in January 2007, approximately 12.1 million common share purchase warrants were issued by the Company to the lender, exercisable into common shares of the Company at a price of $0.825 per share, expiring in January 2010. The Company agreed to redeem any unexercised warrants that remain outstanding on the warrant expiry date at a price of $0.10 per warrant. In July 2007, the Company consolidated both Class A and Class B shares by issuing one (1) share for every four (4) outstanding. The warrants were consolidated as well, resulting in 3,030,303 common share purchase warrants exercisable into common shares at a price of $3.30 per share, with any unexercised warrants at the warrant expiry date to be redeemed at $0.40 per warrant. The warrants have been classified as a liability in accordance with Section 3855, "Financial Instruments – Recognition and Measurement". The fair value of the liability has been calculated utilizing an approximation of the bi-nomial lattice model.

On January 26, 2010, the Company received an extension on its term facility from Brookfield Bridge Lending Fund; an extension on its line of credit; and the 3,030,303 warrants were redeemed by the Company and in return a non-interest bearing note was issued to Brookfield Special Situations II L.P. with a March 31, 2010, payment date. On March 31, 2010, the note relating to the warrants redeemed on January 26, 2010, in the amount of $1,212,121 was paid in full.

8. LONG-TERM DEBT:

DECEMBER 31,	2010	2009
Credit facility for $25 million, with an interest rate of 8.045%, maturing on April 30, 2013. Monthly repayments of interest only are required until March 2011. Principal repayments of $416,667 plus interest per month are required in the second year, commencing April, 2011 and monthly principal payments of $625,000 plus interest are required in the third year, commencing April 2012. The debt is secured by a first charge on equipment and a general security agreement on all assets.	**$ 25,000,000**	$ 31,900,000
Credit facility for $5 million, with an interest rate of 8.045%, maturing on April 30, 2013. Monthly repayments of interest only are required until March 2011. Principal repayments of $83,333 plus interest per month in the second year are required, commencing April 2011 and monthly principal payments of $125,000 plus interest are required in the third year, commencing April 2012. The debt is secured by a first charge on equipment and a general security agreement on all assets.	**5,000,000**	–
Unsecured, interest-free loan from Government of Canada related to a patent and repayable upon commercial application of the patent.	**24,500**	24,500
Total debt	**$ 30,024,500**	$ 31,924,500
Less:		
Financing fees and cost relating to the original $31.9 million term facility	**–**	(102,109)
Cost of 3,030,303 warrants relating to the original $31.9 million term facility	**–**	(92,529)
Financing fees and costs relating to the $30 million term facilities	**(307,148)**	–
Current portion	**(4,500,000)**	(1,705,362)
	$ 25,217,352	$ 30,024,500

The facility requires the company to comply with certain financial and non-financial covenants that are typical for these types of arrangements. The Company was in compliance with all debt covenants for the year ended December 31, 2010. The estimated principal payments for each of the next five years are as follows:

2011	$ 4,500,000
2012	8,250,000
2013	17,250,000
Thereafter	24,500
	$ 30,024,500

9. SHARE CAPITAL:

a) *Authorized:*

Unlimited number of Common voting shares and Preferred shares

Issued:

COMMON SHARES	NUMBER	AMOUNT
Balance at January 1, 2009	20,647,330	$ 60,368,205
Repurchase of shares	(63,500)	(184,785)
Share transfer to Class B shares	(350,000)	(980,000)
Elimination of Class B shares	6,953,531	19,469,887
Issuance of shares	131,996,703	32,407,109
Balance at December 31, 2009	159,184,064	$ 111,080,416
Balance at January 1, 2010	159,184,064	$ 111,080,416
Shares redeemed	(444,701)	(306,844)
Balance at December 31, 2010	158,739,363	$ 110,773,572

CLASS B	NUMBER	AMOUNT
Balance at January 1, 2009	6,603,531	$ 18,489,887
Share transfer from Class A shares	350,000	980,000
Conversion to Class A shares	(6,953,531)	(19,469,887)
Balance at December 31, 2009 and December 31, 2010	–	$ –

During 2010, 444,701 shares were repurchased from a former employee with the consideration being the cancellation of a share purchase loan in the amount of $111,175. This transaction has not been reflected in the statement of cash flows as it was a non-cash transaction.

b) *Stock option plan:*

During the year ended December 31, 2010, 11.2 million stock options were issued to officers, senior management, employees and directors.

	NUMBER OF OPTIONS	WEIGHTED AVERAGE STRIKE PRICE ($)
Outstanding, January 1, 2009	1,980,875	2.21
Granted	–	0.00
Forfeited	(57,500)	(2.33)
Outstanding, December 31, 2009	1,923,375	2.21
Outstanding, January 1, 2010	1,923,375	2.21
Granted	11,221,000	0.25
Forfeited	(3,651,540)	(1.86)
Outstanding, December 31, 2010	9,492,835	0.38

The fair value of the options granted was estimated as at the grant date using the Black-Scholes option pricing model. The Company recognized compensation expense for these stock options based upon the following assumptions:

Risk-free rates of return	1.79% – 4.28%
Expected life (years)	5
Volatility	126% – 150%
Dividend yield	0%

9. SHARE CAPITAL (continued):

2010

RANGE OF EXERCISE PRICE	OUTSTANDING STOCK OPTIONS	WEIGHTED AVERAGE STRIKE PRICE ($)	REMAINING LIFE	EXERCISABLE STOCK OPTIONS	WEIGHTED AVERAGE VESTED EXERCISE PRICE ($)
0.0 – 0.25	**8,829,000**	**0.25**	**4.65**	**–**	**–**
0.26 – 1.82	**277,835**	**1.81**	**2.42**	**205,891**	**1.81**
1.83 – 2.50	**386,000**	**2.40**	**1.75**	**386,000**	**2.40**
0.25 – 2.50	**9,492,835**	**0.38**	**4.47**	**591,891**	**2.24**

2009

RANGE OF EXERCISE PRICE	OUTSTANDING STOCK OPTIONS	WEIGHTED AVERAGE STRIKE PRICE ($)	REMAINING LIFE	EXERCISABLE STOCK OPTIONS	WEIGHTED AVERAGE VESTED EXERCISE PRICE ($)
1.15 – 1.82	649,750	1.81	3.42	218,037	1.81
1.83 – 2.50	1,273,625	2.40	2.75	860,219	2.40
1.81 – 2.50	1,923,375	2.21	2.98	1,078,256	2.28

c) *Contributed surplus:*

	2010	2009
Opening balance	**$ 7,328,741**	$ 6,139,422
Stock-based compensation expense	**990,154**	1,033,571
Repurchase of common shares – adjustments to average cost	**195,668**	155,748
	$ 8,514,563	$ 7,328,741

d) *Basic and diluted loss per share:*

YEAR ENDED DECEMBER 31,	**2010**			2009		
	NET LOSS	**SHARES**	**PER SHARE AMOUNT**	NET LOSS	SHARES	PER SHARE AMOUNT
Basic and diluted loss per share	**$ (3,944,479)**	**158,958,668**	**$ (0.02)**	$ (15,516,574)	35,870,703	$ (0.43)
Securities excluded from diluted loss per share as the effect would be anti-dilutive		**9,492,835**			5,853,678	

At December 31, 2010, 444,701 shares were returned to treasury and cancelled, leaving 158,739,363 Common shares available for trading.

10. COMMITMENTS AND CONTINGENCIES:

The Company is committed to rent for office, yard space, operating vehicle lease payments and operating lease costs on office equipment through to 2013 as follows:

	2011	2012	2013	2014 AND BEYOND
Long-term debt	$ 4,500,000	$ 8,250,000	$ 17,250,000	$ 24,500
Rent	1,003,844	727,133	332,607	202,249
Other operating leases	130,265	42,527	3,769	–
Total obligations	$ 5,634,109	$ 9,019,661	$ 17,586,375	$ 226,749

The Company is sometimes named as a defendant in litigation. The nature of these claims is usually related to personal injury, labour issues or completed operations. The Company maintains insurance that management deems sufficient for such matters.

On August 28, 2010, the Company was charged with five counts under the Occupational Health and Safety Act relating to an incident from 2008. The Company has not recorded a liability for this contingency since the likelihood and amount of any potential loss cannot be reasonably estimated.

11. INCOME TAXES:

a) The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate of 28% to the loss before income taxes. The difference relates to the following items:

DECEMBER 31,	**2010**	2009
Statutory Rate	**28.00%**	29.00%
Income taxes (recovery) at statutory rate	**$ (1,104,454)**	$ (4,648,286)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	**43,621**	59,297
Stock compensation expense	**277,243**	299,736
Accretion of warrants	**26,007**	290,914
Tax rate changes	**22,519**	12,578
Other	**176,722**	467,581
Valuation allowance	**558,342**	3,006,180
	$ –	$ (512,000)

Significant components of the Company's future income tax assets and liabilities at period end are as follows:

DECEMBER 31,	**2010**	2009
Operating losses	**$ 16,220,405**	$ 13,990,807
Share issue and deferred financing costs	**272,067**	620,097
Property and equipment	**(12,627,613)**	(11,254,728)
Goodwill	**66,603**	69,918
Intangible assets	**(349,609)**	(422,480)
Investments	**(15,567)**	2,566
	3,566,286	3,006,180
Valuation allowance	**(3,566,286)**	(3,006,180)
	$ –	$ –

b) The operating losses included in the future income tax assets are available for carry-forward for tax purposes to apply against future taxable income. These losses expire between 2015 and 2029.

12. RELATED PARTY TRANSACTIONS:

The Company entered into various related party transactions in the regular course of operations and through acquisitions. Transactions with related parties are recorded at fair market value determined by the contracts.

	2010	2009
Amounts in accounts receivable	**$ –**	$ 35,598
Amounts in shareholder loans	**856,004**	1,175,118
Amounts in accounts payable	**–**	4,000
Amounts in long term debt	**–**	31,900,000
Amounts in rent expense (included in general and administrative)	**–**	158,000
Amounts in other general and administrative expenses	**119,160**	48,000
Amounts in interest expense	**1,025,275**	4,129,814

Shareholder loans include $840,661 in share purchase loans plus accrued interest. As part of the rights offering which closed on December 3, 2009, certain senior managers and executives were provided loans to participate in the rights offering totaling $984,136. As at December 31, 2010, $840,661 were outstanding. These loans have a term of three years, are secured by the shares purchased and personal guarantees provided by the shareholders. The shares purchased with the funds from the loan have been placed in trust until the amounts are repaid in full. Interest is charged at prime plus 2% to be paid in December of each year. Market value of these shares at December 31, 2010, was $840,665 (2009 – $766,847).

Interest expense is related to interest paid to the provider of the term debt facility held prior to April 20, 2010, a company that is related to the Company's largest shareholder as they are subject to common management. The interest is paid according to the terms of the agreement. As a result of the debt refinancing on April 20, 2010 the debt is no longer provided by a related party. As a result of the change in the Company's directors in July 2010 there are no longer any rental agreements with related parties. All other related party purchases were with companies controlled by employees of the Company.

13. CAPITAL MANAGEMENT:

The Company's strategy is to maintain a level of capital for operations and to sustain future growth of the business. The Company strives to maintain a balance between debt and equity to ensure the continued access to capital markets to fund growth and ensure long-term viability. The Company monitors its capital balance through regular evaluation of long-term debt to equity ratio. The components of capital as well as the long-term debt to equity ratio as of December 31, 2010, and December 31, 2009 are shown in the table below.

DECEMBER 31,	2010	2009
Long-term debt including current portion	**$ 29,717,352**	$ 31,729,862
Shareholders' equity	**93,708,340**	96,773,841
Debt to equity	**0.32**	0.33

The Company is subject to financial covenants in the debt financing agreements related to both the operating line of credit and long-term debt. The current ratio and debt service coverage ratio are two financial metrics that provide indicators as to whether the Company is in compliance with its financial covenants. The Company was in compliance with its financial covenants as disclosed in notes 6 and 8.

14. FINANCIAL INSTRUMENTS:

The Company has designated its financial instruments as follows: bank indebtedness and marketable securities are classified as held-for-trading, which are measured at fair value; accounts receivable and shareholder loans are classified as loans and receivables which are measured at amortized cost; accounts payable and accrued liabilities, and long-term debt are classified as other financial liabilities which are also measured at amortized cost. The fair value of these instruments excluding long-term debt approximates their carrying amount due to their short-term nature. The fair value of the long-term debt approximates the carrying amount due to this debt being renegotiated during the year, thereby, providing assurance that the rate obtained remains a close approximation to the rate the Company would be offered currently for a similar instrument. There have been no events that would indicate this rate is no longer obtainable to the Company.

The Company has exposure to credit, liquidity and market risk as follows:

a) Credit risk:

The Company's policy is to enter into agreements with customers that are well-established and well-financed within the oil and gas industry to reduce credit risk. There is always a risk relating to the financial stability of customers and their ability to pay. Management will continue to periodically assess the credit worthiness of all its customers and views the credit risk on its accounts receivable as normal for its industry.

During the year ended December 31, 2010, the Company assessed its current provision for bad debts as well as the amounts outstanding greater than 90 days and determined the current provision remained adequate.

b) Liquidity risk:

Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its financial obligations. The credit facilities available as at December 31, 2010, consisted of term facilities totaling $30.0 million and an operating line margined for accounts receivable to a maximum of $10.0 million. The term debt is for three years with the first year requiring payments of interest only, the second year requiring monthly principal payments of $500,000 per month plus interest and the third year requiring monthly principal payments of $750,000 per month plus interest. The term debt is subject to interest at a fixed rate of 8.045% for the term.

The Company may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances in a timely manner which could in turn impact the Company's long-term ability to meet its commitments under the new facilities. In order to manage this liquidity risk, the Company actively monitors all accounts receivable to maintain accounts outstanding over 60 days to less than 25 percent of the total balance. As at December 31, 2010, the balance of trade accounts receivable in excess of 90 days was $540,381 (2009: $659,254), representing approximately 3% (2009: 8%) of the trade accounts receivable balance, of this amount $258,050 (2009: $659,254) has been provided for as an allowance for bad debts. A structure is maintained that focuses on growth of the Company while ensuring viability for stakeholders. Finally, in an effort to combat the seasonality of the oilfield business and reduce long-term liquidity risk exposure, the Company regularly reviews its cash availability and whenever the conditions permit, the excess cash is applied to the debt outstanding.

c) Market risk:

Market risk is comprised of foreign currency risk and interest rate risk.

i. Foreign currency risk:

Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is not significantly exposed to foreign currency risk.

ii. Interest rate risk:

The Company is exposed to increases in interest rate changes as the operating facility bears interest at prime lending rates. The term facility the Company secured on April 20, 2010, is fixed for three years at 8.045%. As a result, the Company has eliminated its exposure to interest rate risk for the next three years on this debt. For the year ended December 31, 2010, a one percent change in the prime lending rate would have impacted net income by approximately $92,000 (2009:$577,439).

15. CHANGES IN NON-CASH WORKING CAPITAL:

The changes in non-cash working capital are as follows:

DECEMBER 31,	2010	2009
Accounts receivable	**$ (8,733,229)**	$ 4,316,044
Inventory	**357,273**	(515,707)
Prepaid expenses and deposits	**89,571**	63,741
Shareholder loans	**228,900**	(777,082)
Accounts payable and accrued liabilities	**1,692,820**	(3,997,222)
	$ (6,364,665)	$ (910,226)

16. SEGMENTED INFORMATION:

The Company operates in two primary segments within the service industry in Western Canada: Well Servicing and Other Oilfield Services. The Well Servicing segment provides well services through the use of service rigs and coil tubing units. The Other Oilfield Services segment provides snubbing, nitrogen, production testing and equipment rentals, primarily providing support services to the well service business.

The Company evaluates performance on net income before taxes. Inter-segment sales are recorded at current market prices and eliminated upon consolidation.

The reportable segments are distinct operations as they offer complementary services to the well service business. Once a service rig is on site, the other services are typically onsite at various times supporting the rig activity. However, these services can be performed independently of well servicing.

The amounts related to each industry segment are as follows:

YEAR ENDED DECEMBER 31, 2010	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	**$ 53,104,352**	**$ 15,753,777**	**$ –**	**$ 68,858,128**
Interest expense	**–**	**–**	**3,075,568**	**3,075,568**
Depreciation and amortization	**8,910,548**	**2,513,256**	**1,146,748**	**12,570,552**
Net income (loss)	**4,818,537**	**1,076,823**	**(9,839,839)**	**(3,944,479)**
Property and equipment	**85,765,758**	**18,075,709**	**714,233**	**104,555,700**
Intangibles	**–**	**2,796,871**	**–**	**2,796,871**
Capital expenditures	**662,125**	**230,081**	**332,811**	**1,225,017**

YEAR ENDED DECEMBER 31, 2009	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	$ 35,609,847	$ 13,747,508	$ –	$ 49,357,355
Interest expense	–	–	6,418,833	6,418,833
Depreciation and amortization	7,511,708	2,492,816	1,005,460	11,009,984
Loss before taxes	(1,537,636)	(1,308,819)	(13,182,119)	(16,028,574)
Income taxes	–	–	(512,000)	(512,000)
Net loss	(1,537,636)	(1,308,819)	(12,670,119)	(15,516,574)
Property and equipment	95,068,331	20,415,032	943,122	116,426,485
Intangibles	–	3,379,843	–	3,379,843
Capital expenditures	12,122,259	1,230,540	274,867	13,627,666

// CORPORATE INFORMATION

DIRECTORS

Jim Reid [2], *Chairman*

Duncan T. Au [1]

Gary L. Bentham [1,2]

Alexander D. Greene

Wade McGowan [1,2]

1. Audit Committee
2. Compensation and Corporate Governance Committee

OFFICERS

Duncan T. Au, CA, CFA
President & Chief Executive Officer

Kevin Howell, CA
Chief Financial Officer

Rick Dawson
Vice President, Business Development

Darwin McIntyre
Vice President, Operations (Eastern)

Layne Wilk
Vice President, Operations (Central)

CORPORATE SECRETARY

James L. Kidd
Burnet, Duckworth & Palmer LLP

AUDITORS

KPMG LLP

BANKERS

ATB Financial

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

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