Financial Statements of

CENTRAL ALBERTA WELL SERVICES CORP.

For the three and nine months ended September 30, 2009 and 2010

BALANCE SHEET

Central Alberta Well Services Corp.

For the periods ended September 30, 2010 and December 31, 2009

(unaudited)

	2010	2009
ASSETS		
Current assets		
Marketable securities	**66,712**	2,267
Accounts receivable	**13,104,348**	10,238,597
Shareholder loans	**167,356**	189,101
Inventory	**2,848,183**	2,995,657
Prepaid expenses and deposits	**171,747**	263,048
	16,358,346	13,688,670
Property and equipment	**108,260,256**	116,426,485
Shareholder loans	**871,959**	986,017
Intangible assets	**2,942,614**	3,379,843
	$ 128,433,175	$ 134,481,015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 4)	**$ 1,597,202**	$ 585,767
Accounts payable and accrued liabilities	**4,711,238**	4,179,777
Warrants	**-**	1,211,768
Current portion of long-term debt (note 5)	**3,000,000**	1,705,362
	9,308,440	7,682,674
Long-term debt (note 5)	**26,684,443**	30,024,500
	35,992,883	37,707,174
SHAREHOLDERS' EQUITY		
Share capital (note 6 (b))	**110,773,572**	111,080,416
Contributed surplus	**8,478,902**	7,328,741
Deficit	**(26,812,182)**	(21,635,316)
	92,440,292	96,773,841
	$ 128,433,175	$ 134,481,015
Contingencies (note 9)		

See accompanying notes to financial statements.

STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

Central Alberta Well Services Corp.

For the three and nine months ended September 30, 2010 and 2009

	Three months ended September 30		Nine months ended September 30	
	(unaudited)			
	2010	2009	2010	2009
REVENUE	**$ 16,412,778**	$ 10,259,024	$ 45,789,250	$ 35,692,918
EXPENSES				
Operating expenses	**10,229,404**	7,450,646	29,717,161	25,360,881
General and administrative	**2,919,924**	3,191,336	8,650,258	9,211,175
Stock based compensation	**363,063**	260,162	954,493	774,495
Interest	**654,828**	1,839,017	2,430,511	4,536,547
Depreciation	**3,005,274**	2,607,433	8,776,464	7,582,449
Amortization	**145,743**	145,743	437,229	442,230
	17,318,236	15,494,337	50,966,116	47,907,777
NET LOSS	**(905,458)**	(5,235,313)	(5,176,866)	(12,214,859)
INCOME TAXES				
Future tax reduction	**-**	-	-	(512,000)
	-	-	-	(512,000)
NET LOSS AND COMPREHENSIVE LOSS	**(905,458)**	(5,235,313)	(5,176,866)	(11,702,859)
DEFICIT, BEGINNING OF PERIOD	**(25,906,724)**	(12,586,289)	(21,635,316)	(6,118,743)
DEFICIT, END OF PERIOD	**$ (26,812,182)**	$ (17,821,602)	$ (26,812,182)	$ (17,821,602)
NET LOSS PER SHARE (note 6 (c))				
Basic and diluted loss per share	**$ (0.01)**	$ (0.19)	$ (0.03)	$ (0.43)

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Central Alberta Well Services Corp.

For the three and nine months ended September 30, 2010 and 2009

(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
CASH PROVIDED BY (USED IN):				
OPERATING:				
Net loss	**$ (905,458)**	$ (5,235,313)	$ (5,176,866)	$ (11,702,859)
Items not affecting cash:				
Stock based compensation	**363,063**	260,162	954,493	774,495
Interest on shareholder loans	**(4,945)**	(530)	(16,027)	(2,721)
Accretion of debt financing costs and warrants	**44,358**	567,059	264,423	1,660,784
Unrealized gain on marketable securities	**(12,013)**	-	(50,413)	-
Loss (gain) on disposal of equipment	**(7,581)**	88,865	(85,921)	22,013
Future income tax (reduction)	**-**	-	-	(512,000)
Depreciation and amortization	**3,151,017**	2,753,176	9,213,693	8,024,679
	2,628,441	(1,566,581)	5,103,382	(1,735,609)
Change in non-cash working capital	**(3,725,815)**	93,174	(2,048,477)	3,177,937
	(1,097,374)	(1,473,407)	3,054,905	1,442,328
INVESTING:				
Purchase of property and equipment	**(377,325)**	(5,016,593)	(637,647)	(13,401,842)
Proceeds on sale of assets	**10,000**	5,233,609	113,333	5,360,609
	(367,325)	217,016	(524,314)	(8,041,233)
FINANCING:				
Issuance (repayment) of long-term debt	**-**	-	(1,900,000)	2,200,000
Increase(decrease) in bank indebtedness	**1,513,283**	688,370	1,011,435	688,370
Redemption of warrants	**-**	-	(1,212,121)	-
Financing costs	**(48,584)**	-	(429,905)	-
Repurchase of common shares	**-**	-	-	(29,037)
	1,464,699	688,370	(2,530,591)	2,859,333
INCREASE (DECREASE) IN CASH	**-**	(568,021)	-	(3,739,572)
CASH, BEGINNING OF PERIOD	**-**	568,021	-	3,739,572
CASH, END OF PERIOD	**$ -**	$ -	$ -	$ -
Supplementary Information:				
Interest paid	**$ 615,437**	$ 771,956	$ 2,181,936	$ 2,383,228
Interest received	**22**	1,047	853	6,323

See accompanying notes to financial statements.

1. **Description of business:**

   Central Alberta Well Services Corp. (CWC) 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 in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). These interim financial statements follow the same accounting policies as the most recent annual financial statements. Not all disclosures required by GAAP for annual financial statements are presented in these interim financial statements. The interim financial statements should be read in conjunction with the most recent annual financial statements.

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

3. **Seasonality of operations:**

   The Company’s operations are located in Western Canada. The ability to move heavy equipment safely and efficiently in Western Canadian oil and natural gas fields is dependent on weather conditions. Activity levels during the first quarter are typically the most robust as the frost creates a stable ground mass that allows for easy access to well sites and easier service rig movement. The second quarter is traditionally the slowest due to road bans during spring break-up. When winter’s frost leaves the ground, it renders many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. Road bans during this time restrict service rig and support equipment access to well sites. The third quarter has more activity as the summer months are typically drier than the second quarter. The fourth quarter is again quite active as winter temperatures freeze the ground once more maximizing site access. However, there may be temporary halts to operations in extreme cold weather when the temperature falls below -35C.

4. **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 September 30, 2010, the amount available under the line was $6.7 million with $1.6 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. A fee of $35,000 was paid on acceptance of the facility.

   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 period ended September 30, 2010.

5. Long-term debt:

	September 30, 2010	December 31, 2009
Credit facility for $25 million, with an interest rate of 8.045%, maturing on April 19, 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 19, 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	(340,057)	-
Current portion	(3,000,000)	(1,705,362)
	$ 26,684,443	$ 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 period ended September 30, 2010. The estimated principal payments for each of the next five years are as follows:

2010	$ -
2011	4,500,000
2012	8,250,000
2013	17,250,000
Thereafter	24,500
	$ 30,024,500

6. **Share capital:**

a) Authorized:

Unlimited number of Common voting shares and Preferred shares

b) 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 September 30, 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 September 30, 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.

c) Basic and diluted loss per share

THREE MONTHS ENDED SEPTEMBER 30,		2010			2009	
	NET LOSS	SHARES	PER SHARE AMOUNT	NET LOSS	SHARES	PER SHARE AMOUNT
Basic and diluted loss per share	($905,458)	158,739,363	($0.01)	($5,235,313)	27,187,361	($0.19)
Securities excluded from diluted income (loss) per share as the effect would be anti-dilutive		8,422,209			5,877,928	

NINE MONTHS ENDED SEPTEMBER 30,		2010			2009	
	NET LOSS	SHARES	PER SHARE AMOUNT	NET LOSS	SHARES	PER SHARE AMOUNT
Basic and diluted loss per share	($5,176,866)	159,032,572	($0.03)	($11,702,859)	27,192,852	($0.43)
Securities excluded from diluted loss per share as the effect would be anti-dilutive		8,422,209			5,877,928	

d) Warrants

On March 31, 2010, the promissory note associated with the redemption of previously outstanding warrants in the amount of $1,212,121 was paid in full on the due date.

7. 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 September 30, 2010, and December 31, 2009, are shown in the table below.

	September 30, 2010	December 31, 2009
Debt	$ 29,684,443	$ 31,729,862
Shareholders' equity	92,440,292	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 at September 30, 2010, as disclosed in notes 5 and 6.

8. 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 three months ended September 30, 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 September 30, 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 September 30, 2010, the balance of trade accounts receivable in excess of 90 days was $836,683, representing approximately 9% of the trade accounts receivable balance, of this amount $456,233 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 minimized its exposure to interest rate risk for the next three years on this debt. For the three and nine months ended September 30, 2010, a one percent change in the prime lending rate would have impacted net income by $3,694 and $85,535 respectively.

9. Contingencies:

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.

10. 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 accounting policies of the segments are the same as those described in the most recent annual financial statements. 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:

THREE MONTHS ENDED SEPTEMBER 30, 2010	Well Servicing	Other Oilfield Services	Corporate	Total
Revenue	12,709,437	3,703,341	-	16,412,778
Interest expense	-	-	654,828	654,828
Depreciation and amortization	2,230,275	630,582	290,160	3,151,017
Net income (loss) before tax	1,159,436	144,806	(2,209,700)	(905,458)
Property, plant and equipment	88,725,288	18,673,911	861,057	108,260,256
Intangibles	-	2,942,614	-	2,942,614
Capital expenditures	185,437	108,160	83,728	377,325

THREE MONTHS ENDED SEPTEMBER 30, 2009	Well Servicing	Other Oilfield Services	Corporate	Total
Revenue	7,793,810	2,465,214	-	10,259,024
Interest expense	-	-	1,839,017	1,839,017
Depreciation and amortization	1,872,608	634,522	246,046	2,753,176
Net loss before tax	(759,072)	(666,646)	(3,809,595)	(5,235,313)
Property, plant and equipment	97,477,204	20,785,945	777,074	119,040,223
Intangibles	-	3,525,586	-	3,525,586
Capital expenditures	4,792,779	137,703	86,111	5,016,593

NINE MONTHS ENDED SEPTEMBER 30, 2010	Well Servicing	Other Oilfield Services	Corporate	Total
Revenue	35,540,335	10,248,915	-	45,789,250
Interest expense	-	-	2,430,511	2,430,511
Depreciation and amortization	6,457,232	1,902,576	853,885	9,213,693
Net income (loss) before tax	1,854,537	(12,574)	(7,018,829)	(5,176,866)
Property, plant and equipment	88,725,288	18,673,911	861,057	108,260,256
Intangibles	-	2,942,614	-	2,942,614
Capital expenditures	190,478	118,777	328,392	637,647

NINE MONTHS ENDED SEPTEMBER 30, 2009	Well Servicing	Other Oilfield Services	Corporate	Total
Revenue	25,239,802	10,453,116	-	35,692,918
Interest expense	-	-	4,536,547	4,536,547
Depreciation and amortization	5,441,407	1,854,775	728,497	8,024,679
Loss before taxes	(1,349,001)	(1,146,189)	(9,719,669)	(12,214,859)
Income taxes	-	-	(512,000)	(512,000)
Net loss and comprehensive loss	(1,349,001)	(1,146,189)	(9,207,669)	(11,702,859)
Property, plant and equipment	97,477,204	20,785,945	777,074	119,040,223
Intangibles	-	3,525,586	-	3,525,586
Capital expenditures	11,946,391	1,216,550	238,901	13,401,842