Financial Statements of

CENTRAL ALBERTA WELL SERVICES CORP.

December 31, 2005

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of Central Alberta Well Services Corp. as at December 31, 2005 and the statements of loss and deficit and cash flows for the period from incorporation on March 1, 2005 to December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flows for the period from incorporation on March 1, 2005 to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
April 26, 2006

CENTRAL ALBERTA WELL SERVICES CORP.
Balance Sheet
As at December 31, 2005

ASSETS		
Current Assets		
Cash	$	2,644,827
Accounts receivable		3,263,105
Shareholder loans (note 5)		84,646
Inventory		289,630
Prepaid expenses and deposits		160,088
		6,442,296
Property and equipment (note 4)		19,962,118
Shareholder loans (note 5)		211,875
Deferred financing costs		38,328
Goodwill (note 3)		519,183
	$	27,173,800
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$	3,628,656
Long-term Debt (note 6)		4,950,000
		8,578,656
SHAREHOLDERS' EQUITY		
Share capital (note 7)		21,172,024
Contributed surplus (note 7 (c) and (d))		538,829
Deficit		(3,115,709)
		18,595,144
Commitments (note 9)		
Subsequent events (note 14)		
	$	27,173,800

See accompanying notes to financial statements.

Approved on behalf of the Board

Lou MacEachern, Director

Jeff Thomson, Director

CENTRAL ALBERTA WELL SERVICE CORP.

Statements Of Loss And Deficit

		Ten Months Ended December 31, 2005
REVENUE	$	2,977,160
OPERATING COSTS		1,983,151
		994,009
OTHER EXPENSES		
General and administrative		2,312,287
Interest		789,678
Depreciation and amortization		760,316
		3,862,281
NET LOSS		(2,868,272)
DEFICIT, BEGINNING OF PERIOD		-
ADJUSTMENT TO DEFICIT ON REVERSE TAKEOVER (note 3)		(247,437)
DEFICIT, END OF PERIOD	$	(3,115,709)
BASIC AND DILUTED LOSS PER SHARE (note 7 (e))	$	(0.34)

See accompanying notes to financial statements.

CENTRAL ALBERTA WELL SERVICES CORP.
Statement of Cash Flows

		Ten Months Ended December 31, 2005
CASH PROVIDED BY (USED IN):		
OPERATING:		
Net loss	$	(2,868,272)
Items not affecting cash:		
Stock-based compensation		538,829
Interest on shareholder loans		(14,021)
Depreciation and amortization		760,316
		(1,583,148)
Change in non-cash working capital		(2,593,603)
		(4,176,751)
INVESTING:		
Business acquisitions (note 3)		(2,711,183)
Purchase of property and equipment		(18,414,596)
Change in non-cash working capital		2,387,999
		(18,737,780)
FINANCING:		
Long-term debt		4,950,000
Issue of common shares		3,924,500
Share issue costs		(292,718)
Issue of convertible debentures		18,504,900
Deferred financing costs		(1,244,824)
Shareholder loans		(282,500)
		25,559,358
INCREASE IN CASH AND CASH, END OF PERIOD	$	2,644,827

See accompanying notes to financial statements.

1. Description of business

Central Alberta Well Services Corp. ("CAWS") was incorporated on March 1, 2005 as a private company under the laws of Alberta. Upon incorporation CAWS purchased the operating assets of Cactus Coil Tubing Ltd., consisting primarily of two coil tubing units and related equipment [note 3]. The financial statements include the accounts of the Company as at December 31, 2005 and the results of operations for the ten months from March 1, 2005, the date of incorporation.

CAWS amalgamated with E-quisitions Inc. ("EQ"), an inactive public company, on September 1, 2005, continuing business as Central Alberta Well Services Corp. ("Company"). The amalgamation was accounted for as a reverse take over of EQ by the Company as the former shareholders of CAWS controlled approximately 80% of the outstanding shares following amalgamation. The net assets acquired and liabilities assumed are described in note 3.

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

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. 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 reported in the financial statements and accompanying notes. Actual results could differ 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:

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is 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
Coil tubing units	Straight-line	10 years
Other field equipment	Straight-line	5 to 10 years
Computer, furniture and office equipment	Straight-line	5 years

Assets under construction are not depreciated until they are available for use.

c) Deferred financing costs

The costs associated with the issuance of long-term debt are deferred and are being amortized straight-line over the term of the debt.

d) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values.

Goodwill is not amortized and is tested for impairment annually in the fourth quarter. Any impairment is charged to income in the period in which it is detected.

e) 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 will not be realized.

f) Revenue recognition

Revenue is recognized when services are rendered. 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.

g) 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 and performance warrants, 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.

h) Stock based compensation

The Company has equity incentive plans, which are described in notes 7(c) and 7(d). The fair value of the stock options is calculated at the date of grant using the Black-Scholes option pricing model and the fair value of the performance warrants is measured using the Trinomial Lattice 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 and performance warrants will be credited to share capital.

3. Business acquisitions

a) Cactus Coil Tubing Ltd. ("Cactus")

On March 1, 2005 the Company purchased the operating assets of Cactus Coil Tubing Ltd. for cash consideration of $2,700,000. The acquisition has been accounted for by the purchase method with the results of operations included from the date of acquisition. The allocation of the purchase price is as follows:

Net Assets Acquired:	
Coiled tubing units	$ 1,980,500
Other field equipment	85,500
Inventory	126,000
Goodwill	519,183
	$ 2,711,183
Consideration:	
Due on business acquisition	$ 2,700,000
Transaction costs	11,183
	$ 2,711,183

b) e-Quisitions Inc. ("EQ")

On September 1, 2005, CAWS was amalgamated with EQ, with the newly formed corporation continuing as Central Alberta Well Services Corp. The amalgamation represented a reverse takeover of EQ, a non-operating public company whose shares had been halted from trading since October 22, 2004, and has been accounted for as a capital transaction. The financial statements on completion of the acquisition represent the continuation of CAWS. CAWS was incorporated on March 1, 2005 and, accordingly, no comparative financial information is presented.

Pursuant to the amalgamation agreement, EQ shareholders received one share of the Company in exchange for each twenty shares of EQ held and CAWS shareholders received one share of the Company for each one share of CAWS held. The net liabilities assumed from EQ are as follows:

Net liabilities assumed:	
Accounts payable and accrued liabilities	$ 147,437
Note payable	100,000
	$ 247,437

The net liability was charged directly to deficit at the time of the acquisition.

The accounts payable and accrued liabilities balance of $147,437 was paid in full during the third and fourth quarters.

The Company issued 100,000 common shares at $1 each in settlement of the note payable concurrent with the closing of the reverse takeover.

4. **Property and equipment**

As at December 31, 2005	Cost	Accumulated Depreciation	Net Book Value
Service rigs	$ 5,793,145	$ 117,801	$ 5,675,344
Coil tubing units	3,059,623	211,869	2,847,754
Other field equipment	6,223,077	155,488	6,067,589
Computers, furniture and office equipment	278,457	33,321	245,136
Assets under construction	5,126,295	-	5,126,295
	$ 20,480,597	$ 518,479	$ 19,962,118

5. Shareholder loans

The Company provided loans to certain employees to assist in the purchase of 1,165,000 common shares of the Company. Shareholder loans outstanding as at December 31, 2005 total $282,500 plus accrued interest of $14,021. Promissory notes obtained from these shareholders require equal payments of principal of $70,625 per year over a four-year period, plus interest at 6% calculated semi-annually, on the anniversary of the issuance dates. The loans are secured by personal guarantees from the shareholders. The Company holds a security interest in these shares and 50% of the associated shares are being held in trust by the Company until the promissory notes have been paid in full. Market value of these shares at December 31, 2005 was $2.35 per share.

6. **Long-term debt**

The Company secured a term debt credit facility enabling it to finance 40% of the cost of its manufacturing commitments to a maximum of $13 million. Interest rates are fixed based on the Government of Canada bond yield plus 3.2%. Repayment terms consist of monthly payments of interest for twelve months followed by 48 equal monthly payments of interest and principal. As at December 31, 2005 the company had drawn $4,950,000 of this facility with monthly interest payments of $28,999 to begin January 2006 and monthly payments of interest and principal of $118,603 to begin January 2007. The debt is secured by a first charge on the equipment and a general security agreement on all assets.

The estimated principal repayments due in each of the next five years are as follows:

2006	$ -
2007	1,111,000
2008	1,191,000
2009	1,278,000
2010	1,370,000
	$ 4,950,000

7. Share capital

a) Authorized:

Unlimited number of common shares

b) Issued:

	Number	Amount
Common Shares:		
Issued on incorporation	1,275,000	$ 318,750
Issued on private placement	2,500,008	1,500,000
Issued on EQ acquisition (note 3)	900,000	-
Issued on settlement of note payable (note 3)	100,000	100,000
Issued on short form offering document	1,739,130	2,000,000
Issued on conversion of debentures	20,561,000	18,504,900
Issued on exercise of options	5,000	5,750
Share issue costs	-	(1,257,376)
Balance December 31, 2005	27,080,138	$ 21,172,024

On March 1, 2005, CAWS issued 1,275,000 common shares at $0.25 per share as “seed capital” in exchange for cash of $27,500 and promissory notes of $291,250 (note 5). On April 28, 2005 CAWS completed a private placement of 2,500,008 common shares at $0.60 per share for gross proceeds of $1,500,000. Issue costs of $30,890 were netted against the combined proceeds of these transactions.

On September 1, 2005, CAWS completed a reverse take-over of EQ and the two companies were amalgamated to form a new company called Central Alberta Well Services Corp. On amalgamation, 900,000 shares of the Company were issued to shareholders of EQ and 100,000 shares were issued in settlement of certain EQ liabilities. In total, 3,775,008 shares of the Company were issued to the shareholders of CAWS.

On September 8, 2005 the Company completed a Short Form Offering, issuing 1,739,130 shares at a price of $1.15 each for gross proceeds of $2.0 million, less commission, legal costs and other placement costs of $212,885.

During May and June 2005, the Company issued $18,504,900 of unsecured subordinated convertible debentures bearing interest at 10% payable semi-annually on June 30th and December 31st. From September to November 2005, $11,995,200 of these debentures were converted into 13,328,000 common shares of the Company at the option of the holders at a conversion price of $0.90 per common share. In December 2005 the Company forced conversion of the remaining $6,509,700 debentures into 7,233,000 common shares at the conversion price of $0.90 per share. Accretion charges of $387,912 that were expensed in the second and third quarters to increase the debt component of the debentures to the face value over the term to maturity were reversed in the fourth quarter on conversion. Based on the relative proportion of financing costs related to the equity component of the debentures, $964,659 of these financing costs were allocated to equity and $241,165 were deferred and fully amortized by December when the conversion was completed. Legal and other issue costs relating to the conversion of the debentures to common shares of $48,942 were netted against the share capital.

c) Performance warrants

The Company issued 3,600,000 performance warrants on April 28, 2005 to certain of its directors and officers with a term of five years. The warrants are exercisable into shares of the Company at a price of $1.00 per share after the warrants vest. Vesting of the warrants was conditional upon the weighted average trading price of the Company’s common shares being above specified levels for

c) Performance warrants (continued)

20 consecutive trading days. One-third of the warrants vested at a stock price above $1.50, one-third at a stock price of above $2.00 and the last third vested when the average stock price exceeded $2.50 per share. Of these warrants, 2,936,850 are subject to an escrow agreement, whereby, subject to the above vesting conditions, 10% of the warrants were released upon issuance and 15% of the balance are releasable every six months for three years.

	Ten Months Ended December 31, 2005		
	Number of Performance Warrants		Weighted Average Price
Outstanding, beginning of period	-	$	-
Granted during period	3,600,000		1.00
Outstanding, end of period	3,600,000	$	1.00

The fair value of the performance warrants was estimated as at the grant date using the Trinomial Lattice pricing model. The Company recognized compensation expense for the performance warrants based upon the following assumptions:

Risk free rate of return	3.40%
Expected life (years)	5
Volatility	50%
Dividend yield	0%
Employee exit rate	0%

During the fourth quarter, the vesting conditions for the performance warrants were met for 100% of the warrants. Compensation expense and contributed surplus of $54,000 relating to the performance warrants was recorded for the period ended December 31, 2005.

d) Stock option plan

During the third quarter the Company established a stock option plan to provide directors, officers, employees and consultants with the opportunity to participate in its growth and development. As at December 31, 2005, 1,445,000 options were outstanding at exercise prices between $1.15 and $2.50 per share. The options expire from September 1, 2010 to November 28, 2010. One third of the options vested upon issuance and the balance vest in equal amounts on each anniversary over the next two years. At December 31, 2005, 483,333 options were exercisable.

	Ten Months Ended December 31, 2005		
	Number of Options		Weighted Average Price
Outstanding, beginning of period	-	$	-
Granted during period	1,450,000		1.79
Exercised during period	(5,000)		(1.15)
Outstanding, end of period	1,445,000	$	1.80

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 rate of return	3.71%
Expected life (years)	5
Volatility	50%
Dividend yield	0%

Compensation expense and contributed surplus of $484,829 relating to the stock options was recorded for the period ended December 31, 2005.

e) Basic and diluted loss per share

	Ten Months Ended December 31, 2005		
	Net Loss	Shares	Per Share Amount
Basic and diluted loss per share	$(2,868,272)	8,480,388	$ (0.34)
Items excluded from diluted loss per share as the effect would be anti-dilutive			
Stock options		167,860	
Convertible debentures		10,229,415	
Performance warrants		1,743,529	
		12,140,804	

8. Income taxes

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate of 33.62% to the loss before income taxes. The difference relates to the following items:

Income taxes (recovery) at combined federal and provincial rates	$	(964,313)
Tax effect of		
Non-deductible expenses		186,434
Valuation allowance		777,879
	$	-

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

Future income tax assets (liabilities)		
Operating losses	$	1,210,727
Share issue and deferred financing costs		417,363
Property and equipment		(422,359)
Goodwill		(5,121)
		1,200,610
Valuation allowance		(1,200,610)
	$	-

The operating losses included in the future income tax assets are available for carryforward for tax purposes to apply against future taxable income until 2015 when any unused balance will expire.

9. Commitments

a) The Company is committed to rent payments for office and yard space through to 2010 as follows:

	Amount
2006	$ 204,363
2007	173,741
2008	158,913
2009	154,080
2010	38,520
	$ 729,617

b) During April 2005 the Company entered into a master equipment supply agreement for the manufacture and supply of service rigs, coiled tubing units, boilers and other related equipment. As at December 31, 2005 the Company had advanced $15,472,561 of construction deposits pursuant to this agreement, less $12,762,509 applied on receipt of equipment and $1,847,705 applied as deposits to other companies involved in the manufacture and supply of coiled tubing units, boilers and other related equipment. The Company is committed to providing $29,574,916 to June 2006 relating to the 2006 capital equipment schedule.

c) The Company is bound by an Irrevocable Letter of Guarantee for $20,000, pursuant to a product supply arrangement. The guarantee expires on May 6, 2006, subject to 30 days prior notice. In the absence of such notice it renews annually in one-year increments.

10. Related party transactions

Pursuant to the master supply agreement, the Company engaged in a number of transactions to purchase capital assets from a company controlled by one of its directors. The transactions occurred in the regular course of the Company's activities and are recorded at the exchange amounts, which is the amount of consideration established and agreed to by the related parties.

	As At December 31, 2005
Purchases of capital equipment	$ 12,576,797
Assets under construction	658,996
	$ 13,235,793
Amounts in accounts payable	$ 2,246,018

11. Financial instruments

a) Fair value of financial assets

The Company's financial instruments recognized on the balance sheet include cash, accounts receivable, accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying amounts fair value due to their short-term nature.

b) Credit risk

A significant portion of the Company's accounts receivable and revenue is from a small number of customers within the oil and gas industry. Management periodically assesses the credit worthiness of it customers and views the credit risk on its accounts receivable as normal for its industry.

c) Interest rate risk

The Company manages its exposure to interest rate fluctuations through the issuance of fixed rate borrowings. As at December 31, 2005 all of the Company's debt was subject to fixed interest rates.

12: Supplementary cash flow information

		Ten Months Ended December 31, 2005
Interest paid (inclusive of convertible debenture)	$	(895,188)
Interest received		100,328
Changes in non-cash working capital		
Accounts receivable	$	(3,263,105)
Inventory		(163,630)
Prepaid expenses and deposits		(160,088)
Accounts payable and accrued liabilities		993,220
	$	(2,593,603)
Accounts payable and accrued liabilities (property & equipment)	$	2,635,436
Net liabilities assumed (adjustment to deficit on reverse takeover)		(247,437)
	$	2,387,999

13. Significant Customers

During the ten month period ended December 31, 2005, sales to three customers accounted for approximately 70% of total sales. At December 31, 2005 accounts receivable for these customers amounted to approximately 78% of total accounts receivable.

14. Subsequent events

a) Acquisitions

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of SSI Special Services Ltd. for total consideration of $18 million, consisting of $4 million of cash and 8 million shares of Central Alberta Well Services.

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of Precise Energy Services Ltd. for total consideration of $4,638,000, consisting of 2,507,027 shares of Central Alberta Well Services.

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of 1080104 Alberta Ltd., operating as Vertical Rentals, for total consideration of $2,201,500, consisting of 1,190,000 shares of Central Alberta Well Services.

b) Financing

On February 21, 2006, the Company completed a private equity placement of 2,904,400 shares for proceeds of $4.8 million, net of issuance costs of $.2 million. These shares are subject to trading restrictions and may not be sold prior June 2006.

On March 31, 2006, the Company entered into a secured credit facility for the provision of up to $21 million for the purposes of funding the SSI Special Services Ltd. acquisition and the continuing procurement of capital assets. As at March 31, 2006, the Company had drawn down $11 million of this credit facility.