Balance Sheets

Central Alberta Well Services Corp.

For the periods ended March 31, 2008 and December 31, 2007

	MARCH 31, 2008	DECEMBER 31, 2007
ASSETS		
Current assets		
Cash	$ –	$ 1,870,034
Restricted cash	20,000	415,000
Accounts receivable	23,394,156	10,868,117
Shareholder loans	111,304	128,470
Inventory and work in progress	1,783,530	1,676,610
Prepaid expenses and deposits	254,950	252,028
Income tax receivable	115,736	115,736
	25,679,676	15,325,995
Property and equipment	110,698,071	98,497,905
Shareholder loans	70,625	70,625
Intangible assets	4,420,048	4,570,792
	$ 140,868,420	$ 118,465,317
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 6)	$ 458,334	$ –
Accounts payable and accrued liabilities	6,888,867	7,095,463
	7,347,201	7,095,463
Future income taxes	314,500	–
Long-term debt (note 7)	49,362,889	29,453,660
	57,024,590	36,549,123
SHAREHOLDERS' EQUITY		
Share capital (note 8 (a))	80,651,816	80,710,016
Contributed surplus	4,350,546	4,135,569
Warrants (note 8 (d))	2,412,121	2,412,121
Deficit	(3,570,653)	(5,341,512)
	83,843,830	81,916,194
	$ 140,868,420	$ 118,465,317

See accompanying notes to financial statements.

Statements of Income (Loss), Comprehensive Income (Loss) and Deficit

Central Alberta Well Services Corp.

For the three months ended March 31, 2008 and 2007

	2008	2007
REVENUE	$ 24,585,337	$ 16,897,789
EXPENSES		
Operating expenses	14,790,340	10,384,915
General and administrative	2,731,840	1,880,918
Stock based compensation	183,804	363,701
Interest	1,300,828	2,312,871
Depreciation	3,342,422	2,265,863
Amortization	150,744	150,744
	22,499,978	17,359,012
NET INCOME (LOSS) BEFORE TAX	2,085,359	(461,223)
INCOME TAXES		
Current	–	1,163
Future (recovery)	314,500	(208,700)
	314,500	(207,537)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	1,770,859	(253,686)
DEFICIT, BEGINNING OF PERIOD	(5,341,512)	(15,097,957)
DEFICIT, END OF PERIOD	$ (3,570,653)	$ (15,351,643)
NET INCOME (LOSS) PER SHARE (note 8 (c))		
Basic and diluted earnings (loss) per share	$ 0.06	$ (0.02)

See accompanying notes to financial statements.

Statements of Income (Loss), Comprehensive Income (Loss) and Deficit

Central Alberta Well Services Corp.

For the three months ended March 31, 2008 and 2007

	2008	2007
CASH PROVIDED BY (USED IN):		
OPERATING:		
Net income (loss)	$ 1,770,859	$ (253,686)
Items not affecting cash:		
Stock based compensation	183,804	363,701
Interest on shareholder loans	(2,034)	(3,525)
Accretion of debt financing costs and warrants	409,535	236,429
Loss (gain) on disposal of assets	(14,095)	–
Future income tax (reduction)	314,500	(208,700)
Depreciation and amortization	3,493,166	2,416,607
	6,155,735	2,550,826
Change in non-cash working capital	(12,823,276)	(476,272)
	(6,667,541)	2,074,554
INVESTING:		
Purchase of property and equipment	(15,542,589)	(12,577,205)
Proceeds on sale of assets	14,095	–
Decrease in restricted cash	395,000	–
	(15,133,494)	(12,577,205)
FINANCING:		
Issue of long-term debt	19,500,000	63,000,000
Retirement of long-term debt	–	(16,499,334)
Restructure of short-term debt	–	(35,000,000)
Deferred financing costs	–	803,194
Debt financing costs and warrants	–	(2,714,184)
Transaction costs	(306)	–
Repurchase of common shares (note 8 (a))	(27,027)	–
Increase (repayment) of shareholder loans	–	(188,600)
	19,472,667	9,401,076
INCREASE (DECREASE) IN CASH	(2,328,368)	(1,101,575)
CASH, BEGINNING OF PERIOD	1,870,034	1,688,926
CASH (DEFICIENCY), END OF PERIOD	$ (458,334)	$ 587,351
Supplementary Information:		
Interest paid	$ 907,630	$ 1,441,536
Payout penalties paid on replacement of old loans	–	608,071
Interest received	14,304	15,503
Income taxes paid	–	48,824

See accompanying notes to financial statements.

Notes to the Financial Statements

Central Alberta Well Services Corp.

For the three months ended March 31, 2008 and 2007

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 except as described in Note 4. 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. Change in accounting policy:

On January 1, 2008, the Company adopted CICA Handbook Sections 3130 "Inventories", Section 3862 "Financial Instruments – Disclosures", Section 3863 "Financial Instruments – Presentation", and Section 1535 "Capital Disclosures". These new standards have been adopted on a prospective basis with no restatement of prior periods.

Section 1535 requires the Company to disclose quantitative and qualitative information regarding its objectives, policies and processes for managing its capital.

Section 3031 requires inventories to be measured at the lower of cost or net realizable value and the reversal of previously recorded write downs to realizable value when the circumstances that caused the write down no longer exist. The new standard did not have a material impact on the Company's financial statements for the period ended March 31, 2008.

The new Sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" prescribe the requirements for presentation and disclosure of financial instruments. These two new standards increase the Company's disclosure regarding the nature and extent of the risks associated with financial instruments and how these risks are managed.

In February 2008, the Canadian Institute of Chartered Accountants issued Section 3064 "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and other intangible assets" and Section 3450, "Research and Development Costs". The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard will be applicable to the Company on January 1, 2009. The Company is currently evaluating the impact of this new section on its financial statements.

5. Capital management:

The Company's strategy is to maintain a level of capital to ensure stakeholder confidence and sustain future growth of the business. The Company strives to maintain a healthy 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 March 31, 2008 and December 31, 2007 are shown in the table below.

	MARCH 31, 2008	DECEMBER 31, 2007
Long-term debt	$ 49,362,889	$ 29,453,660
Shareholders' equity	83,843,830	81,916,194
Long-term debt to equity	0.59	0.36

6. Bank indebtedness:

The Company has available a line of credit to a maximum of $3 million at interest rate of bank prime plus 0.5%. As at March 31, 2008, $0.5 million had been drawn. Monthly repayments of interest only secured by a general security agreement on all assets.

7. Long-term debt:

	MARCH 31, 2008	DECEMBER 31, 2007
Credit facility for $60 million (2007: $63 million) at interest rate of bank prime plus 0.5% up to $35 million outstanding and escalating after that amount to maximum of prime plus 1.75%, maturing on January 25, 2010. Monthly repayments of interest only secured by a first charge on equipment and a general security agreement on all assets.	$ 52,700,000	$ 33,200,200
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	52,724,500	33,224,500
Less transaction costs relating to the $60 million (2007: $63 million) long-term facility which includes the $35 million original short-term facility. Similar transaction charges in prior periods were treated as an asset called deferred financing costs.	(1,780,081)	(2,000,813)
Less value of 3,030,303 warrants issued relating to the $60 million (2007: $63 million) long-term facility.	(1,581,530)	(1,770,027)
	$ 49,362,889	$ 29,453,660

At March 31, 2008, estimated principal repayments for each of the next five years are as follows:

2009	$ –
2010	52,700,000
2011	–
2012	–
Thereafter	24,500
	$ 52,724,500

8. Share capital:

a) Authorized:

Unlimited number of Class A common, voting and publicly traded shares

Unlimited number of Class B common, non-voting, non-trading shares; convertible to Class A only in the case of solicitation bid

Issued:

CLASS A	NUMBER	AMOUNT
Balance at January 1, 2007	41,873,273	$ 47,661,284
Application of prior year deficit against share capital	–	(15,097,957)
Issued on private placement	48,814,447	34,170,113
Share issue costs (net of tax – $252,286)	–	(578,149)
Share consolidation (1 share for every 4 outstanding)	(68,015,780)	–
Repurchase of common shares	(438,200)	(1,275,162)
Share transfer to Class B shares	(500,000)	(1,400,000)
Balance at December 31, 2007	21,733,730	$ 63,480,129
Balance at January 1, 2008	21,733,730	$ 63,480,129
Repurchase of common shares	(20,000)	(58,200)
Share transfer to Class B shares	(250,000)	(700,000)
Balance at March 31, 2008	21,463,730	$ 62,721,929

CLASS B	NUMBER	AMOUNT
Balance at January 1, 2007	–	$ –
Issued on private placement	22,614,124	15,829,887
Share consolidation (1 share for every 4 outstanding)	(16,960,593)	–
Share transfer from Class A shares	500,000	1,400,000
Balance at December 31, 2007	6,153,531	$ 17,229,887
Balance at January 1, 2008	6,153,531	$ 17,229,887
Share transfer from Class A shares	250,000	700,000
Balance at March 31, 2008	6,403,531	$ 17,929,887
Total Share Capital as at March 31, 2008	27,867,261	$ 80,651,816
Total Share Capital as at December 31, 2007	27,887,261	$ 80,710,016

In August 2007 the Company began repurchasing Class A shares under a Normal Course Issuer Bid ("NCIB") program. From January 1, 2008 to March 31, 2008, 20,000 Class A shares were repurchased. At March 31, 2008, 329,100 of the 458,200 total Class A shares repurchased at an average price (including commissions) of $1.22 per share under the NCIB have been returned to treasury and cancelled.

8. Share capital (continued):

b) Performance warrants

The Company issued 3,600,000 performance warrants on April 28, 2005 to certain directors and officers with a term of five years (900,000 warrants after the July 2007 1 for 4 share consolidation). Upon vesting, the warrants were exercisable into shares of the Company at a price of $1.00 per share ($4.00 per share after the July 2007 1 for 4 share consolidation). Vesting was conditional upon the weighted average trading price of the Company's common shares being above specified levels for 20 consecutive trading days. During the fourth quarter of 2005, the vesting conditions were met for 100% of the warrants and compensation expense was recognized. The grant date fair value at the time of issue was $0.38 per warrant. Of these warrants, 2,936,850 (82%) were subject to an escrow agreement, whereby subject to the vesting conditions, 10% of the warrants were released upon issuance and 15% of the balance are releasable every six months for three years (734,213 warrants after the July 2007 1 for 4 share consolidation).

c) Basic and diluted income (loss) per share

THREE MONTHS ENDED MARCH 31	2008			2007		
	NET INCOME (LOSS)	SHARES	PER SHARE AMOUNT	NET LOSS	SHARES	PER SHARE AMOUNT
Basic and diluted income (loss) per share	$1,770,859	27,874,956	$ 0.06	$(253,686)	10,468,318	$ (0.02)
Securities excluded from diluted income (loss) per share as the effect would be anti-dilutive		5,285,428			956,500	

Per share amounts have been calculated taking into account the consolidation of shares which occurred on July 12, 2007 at a ratio of one Class A common share for each four common shares outstanding (1:4). Comparative amounts have been retroactively restated to reflect this consolidation. Following the consolidation the Company had 22,671,930 Class A common shares and 5,653,531 Class B common shares outstanding. At March 31, 2008 458,200 shares had been repurchased from the TSX Venture Exchange and 750,000 have been converted from Class A to Class B leaving the Company with 21,463,730 Class A shares available for trading and 6,403,531 Class B shares.

d) Warrants

As part of the $60 million (2007: $63 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. A fair market value of $2,412,121 has been estimated for these warrants based on the Black-Scholes model.

9. Financial instruments:

The Company has designated its financial instruments as follows: cash is classified as held-for-trading, which is measured at fair value; accounts receivable are classified as loans and receivables which are measured at amortized cost; bank indebtedness, 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 approximates their carrying amount due to their short-term nature. The fair value of long-term debt approximates its carrying value as stated interest rates reflect current borrowing rates available 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 asses the credit worthiness of all its customers and views the credit risk on its accounts receivable as normal for its industry.

During the first quarter of 2008, in the opinion of the Company, recent changes in the operations of a customer resulted in increased exposure to credit risk. As a result, bad debt expense of $20,000 was provided for in the first quarter of 2008.

b) Liquidity risk:

Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its financial obligations. The credit facilities available mature on January 25, 2010. It is the intention of the Company that refinancing will be negotiated at that time should it be required. 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 commitments under its current facilities. In order to manage this liquidity risk, the Company regularly reviews its aged accounts receivable listing to maintain accounts outstanding over 60 days to less than 25 percent of the total balance. In addition, the Company regularly reviews its components of debt to equity to maintain a conservative structure. 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 interest rate risk and foreign currency risk. The Company's exposure to financial market risk is limited since there are no significant financial instruments which will fluctuate as a result of changes in market prices.

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 manages its exposure to interest rate fluctuations through the issuance of a combination of variable and fixed rate borrowings. For the three months ended March 31, 2008, a one percent change in the prime lending rate would have impacted net income by $113,499.

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 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 onsite, the other services are typically onsite at various times supporting the rig activity. However, these services can be sold independently of the well servicing. They are managed separately as the businesses were acquired as a unit and the Company has retained the management of each acquired company.

The amounts related to each industry segment are as follows:

THREE MONTHS ENDED MARCH 31, 2008	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	17,206,513	7,378,823	–	24,585,337
Interest expense	–	–	1,300,828	1,300,828
Depreciation and amortization	2,689,917	758,988	44,260	3,493,166
Income (loss) before income taxes	2,752,040	1,626,522	(2,293,203)	2,085,359
Income taxes	–	–	314,500	314,500
Net income (loss)	2,752,040	1,626,522	(2,607,703)	1,770,859
Property and equipment (net of depreciation)	89,251,154	20,644,808	802,109	110,698,071
Intangibles (net of depreciation)	–	4,420,048	–	4,420,048
Capital expenditur es	15,453,310	26,390	62,888	15,542,589

THREE MONTHS ENDED MARCH 31, 2007	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	10,136,751	6,761,037	–	16,897,788
Interest expense	–	–	2,312,871	2,312,871
Depreciation and amortization	1,573,198	791,286	52,123	2,416,607
Income (loss) before income taxes	2,221,572	762,623	(3,445,418)	(461,223)
Income taxes	–	–	(207,537)	(207,537)
Net income (loss)	2,221,572	762,623	(3,237,881)	(253,686)
Property and equipment (net of depreciation)	56,537,141	23,412,424	886,661	80,836,226
Intangibles (net of depreciation)	–	5,023,024	–	5,023,024
Capital expenditures	9,631,048	2,902,372	43,785	12,577,205