Interim Financial Statements of

CENTRAL ALBERTA WELL SERVICES CORP.

For the three months ended March 31, 2010 and 2011 (unaudited)

STATEMENT OF FINANCIAL POSITION

Central Alberta Well Services Corp.

As at March 31, 2011, December 31, 2010 and January 1, 2010

(unaudited)

in thousands of Canadian dollars	Note	**March 31, 2011**	December 31, 2010	January 1, 2010
ASSETS				
Current assets				
Cash		**$ 2,167**	$ -	$ -
Marketable securities		**62**	67	2
Accounts receivable		**24,922**	19,579	10,239
Shareholder loans	17	**-**	573	189
Inventory		**2,667**	2,638	2,996
Prepaid expenses and deposits		**166**	185	263
		29,984	23,042	13,689
Property and equipment	5	**101,126**	103,773	115,661
Shareholder loans	17	**161**	283	986
		$ 131,271	$ 127,098	$ 130,336
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness	6	**$ -**	$ 1,379	$ 586
Accounts payable and accrued liabilities		**7,406**	5,873	4,180
Warrants		**-**	-	1,212
Current portion of long-term debt	7	**6,094**	4,609	31,822
		13,500	11,861	37,800
Long-term debt	7	**23,769**	25,251	167
		37,269	37,112	37,967
SHAREHOLDERS' EQUITY				
Share capital	8	**109,619**	110,774	111,080
Contributed surplus		**4,543**	3,657	2,960
Deficit		**(20,160)**	(24,445)	(21,671)
		94,002	89,986	92,369
		$ 131,271	$ 127,098	$ 130,336

See accompanying notes to interim financial statements.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Central Alberta Well Services Corp.

For the three months ended March 31, 2011 and 2010

(unaudited)

in thousands of Canadian dollars	Note	**2011**	2010
REVENUE		**$ 29,303**	$ 20,122
EXPENSES			
Direct operating expenses	11	**17,659**	13,127
Selling and administrative expenses	12	**3,205**	3,144
Stock based compensation	13	**150**	126
Finance costs	14	**647**	1,080
Depreciation		**3,358**	3,129
Gain on disposal of equipment		**(6)**	-
Unrealized loss (gain) on marketable securities		**5**	(7)
		25,018	20,599
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		**4,285**	(477)
NET INCOME PER SHARE			
Basic earnings per share	9	**$ 0.03**	$ -
Diluted earnings per share	9	**$ 0.03**	$ -

See accompanying notes to interim financial statements.

STATEMENT OF CHANGES IN EQUITY

Central Alberta Well Services Corp.

For the three months ended March 31, 2011 and 2010

(unaudited)

in thousands of Canadian dollars	Note	**Share Capital**	**Contributed surplus**	**Deficit**	**Total Equity**
Balance at January 1, 2010		$ 111,080	$ 2,960	$ (21,671)	$ 92,369
Comprehensive loss for the period		-	-	(477)	(477)
Transactions with owners, recorded directly in equity					
Stock based compensation		-	126	-	126
Balance at March 31, 2010		$ 111,080	$ 3,086	$ (22,148)	$ 92,018
Balance at January 1, 2011		$ 110,774	$ 3,657	$ (24,445)	$ 89,986
Comprehensive income for the period				4,285	4,285
Transactions with owners, recorded directly in equity					
Stock based compensation			150		150
Shares redeemed		(1,155)	736		(419)
Balance at March 31, 2011		**$ 109,619**	**$ 4,543**	**$ (20,160)**	**$ 94,002**

See accompanying notes to interim financial statements.

STATEMENT OF CASH FLOWS

Central Alberta Well Services Corp.

For the three months ended March 31, 2011 and 2010

(unaudited)

in thousands of Canadian dollars	**2011**	2010
CASH PROVIDED BY (USED IN):		
OPERATING:		
Net income (loss)	**$ 4,285**	$ (477)
Adjustments for:		
Stock based compensation	**150**	126
Interest on shareholder loans	**(1)**	(6)
Finance costs	**647**	1,080
Gain on disposal of equipment	**(6)**	-
Unrealized loss (gain) on marketable securities	**5**	(7)
Depreciation and amortization	**3,358**	3,129
	8,438	3,845
Change in non-cash working capital	**(3,551)**	(4,865)
	4,887	(1,020)
INVESTING:		
Purchase of equipment	**(715)**	(153)
Proceeds on sale of equipment	**9**	-
	(706)	(153)
FINANCING:		
Increase (repayment) of bank indebtedness	**(1,379)**	3,299
Interest paid	**(605)**	(886)
Redemption of warrants	**-**	(1,212)
Finance lease repayments	**(30)**	(28)
	(2,014)	1,173
INCREASE IN CASH	**2,167**	-
CASH, BEGINNING OF PERIOD	**-**	-
CASH, END OF PERIOD	**$ 2,167**	$ -

See accompanying notes to interim financial statements.

1. Reporting entity:

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:

(a) **Statement of compliance**

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.* These are the Company's first IFRS interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 18. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian previous GAAP to those reported for those periods at the date of transition under IFRSs.

These interim financial statements were approved by the Board of Directors on May 30, 2011.

(b) **Basis of measurement**
The interim financial statements have been prepared on the historical cost basis except for the derivative financial instruments in the statement of financial position which are measured at fair value.

(c) **Functional and presentation currency**
These interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) **Use of estimates and judgments**

The preparation of the interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates, judgments and assumptions. The carrying amount of assets, liabilities, accruals, provisions, contingent liabilities, other financial obligations, as well as the determination of fair values, reported income and expense in these interim financial statements depends on the use of estimates, judgments and assumptions. IFRS also requires management to exercise judgment in the process of applying the Company's accounting policies. These estimates, judgments and assumptions are based on the circumstances and estimates at the date of the financial statements and affect the reported amounts of income and expenses during the reporting periods. Given the uncertainty regarding the determination of these factors, actual results may differ from these estimates.

i. Accounts receivables
Impairment of trade and other receivables is constantly monitored. Evidence of impairment could, for example, occur when the financial difficulties of a debtor become known or payment delays occur. Impairments are based on historical values, observed customer solvency, the aging of trade and other receivables and customer-specific and industry risks. In addition, the Company reviews external credit ratings as well as bank and trade references when available.

ii. Depreciation of Property and equipment
The estimated useful life, residual value and depreciation methods chosen are the Company's best estimate of such and are based on industry norms, historical experience and other estimates including the period and distribution of future cash inflows.

iii. Impairment of assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset group may be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the asset group. External triggering events include, for example, changes in customer or industry conditions, technological advances and economic climate deterioration. Internal triggering events for impairment include lower profitability or utilization.

The Company's impairment tests compare the carrying amount of the asset or cash generating unit ("CGU") to its recoverable amount. The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU"). FVLCS is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management exercises judgment, considering past and actual performances as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows. Discounted cash flow projections contain key assumptions such as discount rates, terminal value growth rates and EBITDA margins.

iv. Utilization of tax losses

The Company has significant tax losses from previous years available to reduce the tax expense in future periods when the Company is taxable. A deferred tax asset is recognized for unused tax losses to the extent it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As the Company has a history of losses, at this time no deferred tax assets have been recognized at this time in relation to the tax losses available. Should the profitable growth continue for a sufficient period of time the previously unrecognized deferred asset will be recognized.

v. Provisions

Provisions cover risks resulting from legal disputes and proceedings. In order to determine the amount of the provisions, the facts related to each case, the size of the claim, awards in similar cases, the expected timing of such possible awards, insurance coverage and deductibles and independent expert advice are considered along with assumptions regarding the possibility of a successful claim and the range of possible awards. The actual costs can deviate from these estimates.

vi. Stock based compensation

The Company accounts for stock based compensation in accordance with IFRS 2 *Share-based Payments* which requires companies to recognize the cost of such awards of equity instruments based on the grant date fair value of those awards. The Company estimates the fair value of stock option awards on the date of grant utilizing a Black-Scholes option valuation model. Certain key assumptions used in the Black-Scholes model include the expected stock price volatility, forfeitures, dividend yield and expected term.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Early adoption of IFRS 9

The Company has early adopted IFRS 9 *Financial Instruments* with a date of initial application of January 1, 2010. IFRS 9 requires that an entity classify its financial assets at either amortized cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The change in accounting policy had no impact on earnings for the year ended December 31, 2010 and the three months ended March 31, 2011.

IFRS 9 introduces new classification and measurement requirements for financial assets and financial liabilities that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement.* Specifically, IFRS 9 requires all the financial assets to be classified and subsequently measured at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial assts. Financial liabilities are to be classified and subsequently measured at amortized cost using the effective interest method or Fair Value Through Profit or Loss ("FVTPL"). Upon initial recognition, an entity may designate a financial liability as measured at FVTPL when permitted or when doing so results in more relevant information.

The Company measures marketable securities at fair value at the end of each reporting period with changes in fair value of marketable securities being recognized in profit or loss. This is consistent with the treatment prior to the adoption of IFRS.

(b) Cash

Cash consists of cash balances less bank indebtedness used for operational purposes. Bank indebtedness is repayable on demand. For the purposes of the components of cash on the statement of cash flows, bank indebtedness has been excluded from cash.

(c) Inventory

Inventory consists mainly of operating supplies, consumables and repair parts. Inventory is stated at the lower of cost or net realizable value. The cost of inventory is accounted for on a weighted average basis and includes expenditures incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(d) Property and equipment and depreciation

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation on additions and disposals is prorated from the month of purchase or disposal. Depreciation is recognized in profit or loss over the estimated useful lives of the assets on the straight- line basis at the following deprecation 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

Assets under construction are not depreciated until they are available for use. Depreciation methods, useful lives and residual values are reviewed at each annual reporting period end and adjusted if appropriate.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they were located and borrowing on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item or property or equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and is recognized net.

(e) Accounts payable and accrued liabilities

Accounts payable are obligations to pay for goods or services that have been acquired in the normal course of business. Accounts payable and accrued liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable and accrued liabilities are initially recognized at fair value and subsequently at amortized cost.

(f) Impairment of non-financial assets

Assets, other than inventories and deferred tax assets, are assessed at the end of each reporting period to determine if any indication of impairment exists. If any such indication exists, the Company estimates the recoverable amount of the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows or other assets. Recoverability is measured by comparing the carrying amount of the asset or the CGU to which the asset belongs to the higher of its fair value less costs to sell and its value in use. VIU is calculated using the estimated discounted future cash flows expected to be generated by the asset or its' CGU. The Company estimates fair value less cost to sell based upon current prices for similar assets. If the carrying amount of the asset, or its respective CGU, exceeds its estimated recoverable amount, the difference is recognized as an impairment charge.

CWC's corporate assets, which do not generate separate cash inflows, are allocated to the CGU's on a reasonable basis for impairment testing purposes.

(g) Financial instruments

Financial Assets	**Initial Measurement**	**Classification**
Cash	Fair value	Amortized cost
Marketable securities	Fair value	Fair value through profit/loss
Accounts receivable	Fair value	Amortized cost

The Company initially recognizes accounts receivables and deposits on the day that they originate. Impairment of accounts receivable is recognized in general and administrative expenses when evidence of impairment arises. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss, or portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial Liabilities	**Initial Measurement**	**Classification**
Accounts payable and accrued liabilities	Fair value	Amortized cost
Long-term debt	Fair value	Amortized cost

Accounts payable and accrued liabilities are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

The Company initially recognizes debt issued on the date it is issued. The Company's long-term debt is comprised mainly of two facilities totaling $30 million which are secured by a general security agreement covering all assets of the Company. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Common shares are presented in share capital within shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from share capital, net of any tax effects. When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes any directly attributable costs net of any tax effects, is recognized as a deduction from share capital. When common shares are repurchased and cancelled, the fair value is deducted from share capital and the resulting surplus or deficit on the transaction is recorded against contributed surplus.

(h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

(i) Revenue recognition

The Company's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision for post-service obligations. Revenue is recognized when services are rendered and when collectability of the consideration is probable.

(j) Leases

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. Leasing contracts are classified as either finance or operating leases. The Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values at inception.

The Company classifies as a finance lease if it transfers substantially all of the risks and rewards of ownership to the lessee. Upon the initial recognition of the lease asset it is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets which are subject to operating leases are not recognized in the Company's statement of financial position. Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance lease and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Finance costs

Finance costs encompass interest expense on financial liabilities and accretion expense on debt issuance costs and are recognized as an expense in the period in which they are incurred.

(l) Income Tax

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's effective tax rate in respect of continuing operations for the three months ended March 31, 2011 was 0% (three months ended March 31, 2010: 0%) largely a result of temporary taxable differences and tax losses not recognized.

(m) Employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the bonus plan when a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can reasonably be estimated.

The Company grants stock options to directors, officers and employees of Central Alberta Well Services Corp. under its stock option plan. Stock based compensation is accounted for using the fair value method based on the Black-Scholes model. Under the fair value method, the fair value of options is calculated at the date of grant and that value is recorded as compensation expense over the vesting periods of those grants, with a corresponding increase to contributed surplus less an estimated forfeiture rate. The forfeiture rate is based on past experience of actual forfeitures. When options are exercised, the proceeds received by the Company, along with the amount in contributed surplus will be credited to share capital.

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal to a formal detailed plan to either terminate employment before the normal retirement date. If benefits are payable more than 12 months after the reporting date then they are discounted to their present value.

(n) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss and the weighted average number of shares outstanding for the effects of all dilutive shares, which compromise share options granted to employees.

(o) Segmented information

The operating divisions are grouped into two distinct reporting segments: Well Servicing and Other Oilfield Services and supported by the Corporate reporting segment. The reporting segments share common economic characteristics and are differentiated by the type of service provided and customer needs. The reporting segments financial results are reviewed regularly by the Company's senior management. Senior management makes decisions about resource allocation and assess segment performance based on the internally prepared segment information.

4. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Marketable securities

The fair value of marketable securities is determined by reference to their quoted bid price at the reporting date. When market prices are not available, comparisons to similar instruments and calculations using common valuation techniques may be employed.

(b) Property and equipment

The fair value of property and equipment recognized as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

(c) Share-based payment transactions

(Amounts in thousands, except per share amounts)

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the option, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

5. Property and equipment:

Cost	Production equipment	Support equipment	Miscellaneous equipment	Total
Balance as of January 1, 2011	$ 90,721	$ 59,065	$ 2,581	$ 152,367
Additions	675	19	21	715
Disposals	-	-	(22)	(22)
Balance as of March 31, 2011	$ 91,396	$ 59,084	$ 2,580	$ 153,060

Accumulated depreciation and impairment losses	Production equipment	Support equipment	Miscellaneous equipment	Total
Balance as of January 1, 2011	$ 24,577	$ 22,093	$ 1,924	$ 48,594
Additions	1,882	1,343	133	3,358
Disposals	-	(18)	-	(18)
Balance as of March 31, 2011	$ 26,459	$ 23,418	$ 2,057	$ 51,934
Net book value as of March 31, 2011	**$ 64,937**	**$ 35,666**	**$ 523**	**$ 101,126**

Cost	Production equipment	Support equipment	Miscellaneous equipment	Total
Balance as of January 1, 2010	$ 91,308	$ 59,650	$ 2,242	$ 153,200
Additions	819	52	354	1,225
Disposals	(1,406)	(637)	(15)	(2,058)
Balance as of December 31, 2010	$ 90,721	$ 59,065	$ 2,581	$ 152,367

Accumulated depreciation and impairment losses	Production equipment	Support equipment	Miscellaneous equipment	Total
Balance as of January 1, 2010	$ 19,227	$ 17,019	$ 1,292	$ 37,538
Additions	5,790	5,572	643	12,005
Disposals	(440)	(498)	(11)	(949)
Balance as of December 31, 2010	$ 24,577	$ 22,093	$ 1,924	$ 48,594
Net book value as of December 31, 2010	**$ 66,144**	**$ 36,972**	**$ 657**	**$ 103,773**

At March 31, 2011, property and equipment includes equipment under finance leases which are recorded at cost totaling $428 (December 31, 2010: $428), less accumulated depreciation of $320 (December 31, 2010: $290).

6. Bank indebtedness:

The Company has available 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 was committed until April 30, 2011. The Company has been granted an extension until July 31, 2011 while financing alternatives are being examined. As at March 31, 2011, the amount available under the line was $9.7 million with no amounts 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.

(Amounts in thousands, except per share amounts)

The Company was in compliance with all debt covenants for the three months ended March 31, 2011 and December 31, 2010.

7. Long-term debt:

	March 31, 2011	December 31, 2010	January 1, 2010
Credit facilities for a total of $30 million, with an interest rate of 8.045%, maturing on April 30, 2013. Monthly repayments of interest only were required until March 2011. Principal repayments of $500,000 plus interest per month are required in the second year, commencing April, 2011 and monthly principal payments of $750,000 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.	$ 30,000	$ 30,000	$ -
Credit facility for $31.9 million at interest rate of bank prime plus 2.75%, maturing on April 30, 2010. Monthly repayments of interest only, secured by a first charge on equipment and a general security agreement on all assets.	-	-	31,900
Finance leases with an interest rates ranging to 3.17% to 7.65% , maturing from September 2011 to November 2012. Monthly repayments totalling $10,847 including interest are required.	113	143	259
Unsecured, interest-free loan from Government of Canada related to a patent and repayable upon commercial application of the patent.	24	24	24
Total debt	$ 30,137	$ 30,167	$ 32,183
Less:			
Financing fees and cost relating to the original $31.9 million term facility	-	-	(102)
Cost of 3,030,303 warrants relating to the original $31.9 million term facility	-	-	(92)
Financing fees and costs relating to the $30 million term facilities	(274)	(307)	
Current portion	(6,094)	(4,609)	(31,822)
	$ 23,769	$ 25,251	$ 167

The Company was in compliance with all debt covenants as at March 31, 2011 and December 31, 2010. The estimated principal payments for each of the next five years are as follows:

2011	$ 6,094
2012	9,019
2013	15,000
Thereafter	24
	$ 30,137

(Amounts in thousands, except per share amounts)

8. Share capital:

The authorized share capital of the Company consists of an unlimited number of Common voting shares and an unlimited number of Preferred shares.

COMMON SHARES	NUMBER	AMOUNT
Balance at January 1, 2010	159,184	$ 111,080
Shares redeemed	(445)	(306)
Balance at December 31, 2010	158,739	$ 110,774
Balance at January 1, 2011	158,739	$ 110,774
Shares redeemed	(1,673)	(1,155)
Balance at March 31, 2011	157,066	$ 109,619

During the three months ended March 31, 2011, 1,673 shares were repurchased from a former employee with the consideration being the cancellation of a share purchase loan in the amount of $418. This transaction has not been reflected in the statement of cash flows as it was a non-cash transaction.

The Company commenced a Normal Course Issuer Bid ("NCIB") on April 1, 2011, to purchase from time to time, as it is considered advisable, up to 7,853 of its issued and outstanding common shares on the open market through the facilities of the Toronto Venture Stock Exchange ("TSXV"). The price that the Company will pay for any common share under the NCIB will be the prevailing market price on the TSXV at the time of such purchase. Common shares acquired under the NCIB will be subsequently cancelled.

9. Earnings per share:

Basic earnings per share is calculated as net income (loss) of $4,285 (2010: ($477)) divided by the weighted average number of common shares outstanding for the period. The weighted average number of common shares for the three month period ended March 31, 2011 was 158,163 (2010: 159,184) and was calculated as follows:

Weighted average number of common shares – Basic:

	March 31, 2011	March 31, 2010
Issued common shares at the beginning of period	158,739	159,184
Common shares redeemed	(576)	-
Weighted average number of common shares at end of period - Basic	158,163	159,184

Diluted earnings per share is calculated by adjusting net income (loss) and the basic weighted average number of common shares outstanding by the effects of all possibly dilutive transactions to existing common shareholders. In calculating diluted earnings per share there were no adjustments to net income (loss). The diluted weighted average number of common shares was calculated as follows:

(Amounts in thousands, except per share amounts)

	March 31, 2011	March 31, 2010
Weighted average number of common shares - Basic	158,163	159,184
Effect of "in the money" stock options	312	-
Weighted average number of common shares at end of period - Diluted	158,475	159,184

At March 31, 2011, 898,334 (March 31, 2010: 2,823,375) stock options were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. The average market value of the Company's common shares for purposes for calculating the dilutive effect of stock options was based on quoted market prices for the period end.

THREE MONTHS ENDED MARCH 31, 2011	2011			2010		
	NET LOSS	SHARES	PER SHARE AMOUNT	NET LOSS	SHARES	PER SHARE AMOUNT
Basic earnings (loss) per share	4,285	158,163	$ 0.03	($477)	159,184	($0.00)
Diluted earnings (loss) per share	4,285	158,475	$ 0.03	($477)	159,184	($0.00)
Securities excluded from diluted loss per share as the effect would be anti-dilutive		898			2,823	

10. 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.

11. Direct operating expenses:

	Three months ended March 31,	
Direct Operating Expenses:	**2011**	**2010**
Direct labour	12,002	8,680
Operating expenses	5,657	4,447
	17,659	13,127

(Amounts in thousands, except per share amounts)

12. Selling and administrative expenses:

	Three months ended March 31,	
Selling and administrative expenses:	**2011**	**2010**
Salaries and benefits	2,135	2,022
General and administrative	1,070	1,122
	3,205	3,144

13. Stock based compensation:

The Company grants stock options to directors, officers and employees of Central Alberta Well Services Corp. under its stock option plan. Options under the Stock Option Plan are normally granted at the closing trading price of the common shares of the Company on the grant date. Stock options vest equally over three years and expire five years from the grant date.

In estimating expected stock price volatility at the time of a particular stock option grant, the Company relies on observations of historical volatility trends. Other assumptions required for estimating fair value with the Black-Scholes model are the expected risk-free interest rate and expected dividend yield of the Company's common shares. The risk-free interest rates used were the Canadian Treasury zero-coupon rates for bonds matching the expected term of the option on the date of grant. The expected dividend yield of the Company's common shares over the expected term of the option was determined based on the Company's dividend policy on the date of grant. The expected forfeiture rate was determined based on the Company's prior historical forfeiture rates on the date of grant. Volatility was determined on the basis of the daily closing process over a historical period corresponding to the expected term of the options.

	NUMBER OF OPTIONS	WEIGHTED AVERAGE STRIKE PRICE ($)
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 and March 31, 2011	9,492,835	0.38

14. Finance costs:

	Three months ended March 31,	
	2011	**2010**
Interest expense on debt	605	886
Accretion of debt issuance costs	42	102
Accretion on warrants	-	92
	647	1,080

15. Income Taxes:

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the difference is as follows:

(Amounts in thousands, except per share amounts)

March 31,		2011		2010
Statutory Rate		26.50%		28.00%
Income taxes (recovery) at statutory rate	$	1,136	$	(134)
Increase (decrease) in income taxes resulting from:				
Non-deductible expenses		5		16
Stock compensation expense		40		73
Accretion of warrants		-		26
Tax rate changes		(1)		18
Change in estimated timing of realization of temporary differences		(1,180)		62
Other		-		(61)
	$	-	$	-

16. Operating segments:

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:

THREE MONTHS ENDED MARCH 31, 2011	**Well Servicing**	**Other Oilfield Services**	**Corporate**	**Total**
Revenue	23,091	6,212	-	29,303
Finance costs	-	-	647	647
Depreciation and amortization	2,648	565	145	3,358
Net income (loss)	4,569	1,643	(1,927)	4,285
Property and equipment	83,843	16,550	733	101,126
Capital expenditures	691	3	21	715

THREE MONTHS ENDED MARCH 31, 2010	**Well Servicing**	**Other Oilfield Services**	**Corporate**	**Total**
Revenue	15,938	4,184	-	20,122
Finance costs	-	-	1,080	1,080
Depreciation and amortization	2,353	465	311	3,129
Net income (loss)	1,545	403	(2,425)	(477)
Property and equipment	92,672	18,835	1,178	112,685
Capital expenditures	5	8	140	153

17. Related party disclosures:

As at March 31, 2011 the Company has loans outstanding with employees of the Company for shares purchased under the rights offering in 2009 totaling $161 (December 31, 2010: $856). 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 loans 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. During the quarter loan amounts of $267 were repaid and 1,673 shares were repurchased from a former employee with the consideration being the cancellation of a share purchase loan in the amount of $428 including interest.

18. Explanation of transition to IFRS:

As stated in Note 2(a), these are the Company's first interim financial statements prepared in accordance with IFRS. The financial statements of the Company were prepared in accordance with previous Canadian GAAP up to and including the 2010 reporting year. The Company has adopted IFRS in accordance with IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" with a transition date of January 1, 2010. The significant accounting policies disclosed in note 3 have been applied in preparing the interim financial statements for the three month period ended March 31, 2011, the comparative information presented in these statements for the three month period ended March 31, 2010 and for the year ended December 31, 2010 and in the preparation of the opening IFRS statement of financial position dated January 1, 2010.

(a) Adoption of IFRS

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transition date with adjustments to assets and liabilities being offset to retained earnings (deficit) unless certain exemptions are applied. The following exemptions were considered in preparation of the opening IFRS statement of financial position dated January 1, 2010.

(i) Business combination exemption:

The Company had the option to apply IFRS 3 *Business Combinations* either retrospectively for all business combinations from a particular pre-transition date elected by the Company or prospectively from the transition date of January 1, 2010. The Company has elected the latter option.

(ii) Stock based compensation

The Company used the exemption that allows a Company to apply IFRS 2 *Share-based payments* to share based compensation amounts that were granted after November 2002 that vest after January 1, 2010. Effective January 1, 2010, the Company retrospectively changed its method of recognizing stock based compensation expense to a graded vesting schedule compared to the previously used straight line method. Adopting IFRS 2 *Share-based payments* retrospectively to January 1, 2010 has resulted in an increase in the stock based compensation related to the unvested awards totaling $40.

(iii) Property and equipment

The Company has elected not to apply the fair value exemption in IFRS 1. Instead, the Company has elected to apply IAS 16 retrospectively to its property and equipment by using historic cost amounts as at January 1, 2010.

(b) IFRS 9 – Financial Instruments

The Company early adopted IFRS 9 *Financial Instruments* as it relates to classification and measurement of financial assets and financial liabilities effective on the January 1, 2010 transition date. There was no impact as a result of this early adoption.

(c) Reconciliations between previous Canadian GAAP and IFRS:

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(Amounts in thousands, except per share amounts)

(i) Shareholders' Equity

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with previous Canadian GAAP. The effects of the conversion are as follows:

	December 31, 2010	March 31, 2010	January 1, 2010
Shareholders' equity in accordance with Canadian GAAP	93,709	96,253	96,774
Finance leases	(2)	(2)	(2)
Impairment of assets in Cash Generating Units	(4,403)	(4,403)	(4,403)
Change in net income (loss)	682	171	-
	89,986	92,019	92,369

(1) Change in net income (loss) excludes stock based compensation expense as this amount is credited to contributed surplus (a component of shareholders' equity)

(ii) Reconciliation of the balance sheet under previous Canadian GAAP to IFRS as at January 1, 2010:

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		$ -		$ -
Marketable securities		2		2
Accounts receivable		10,239		10,239
Shareholder loans		189		189
Inventory		2,996		2,996
Prepaid expenses and deposits		263		263
		13,689	-	13,689
Property and equipment	a,b	116,426	(765)	115,661
Shareholder loans		986		986
Intangible assets	a	3,380	(3,380)	-
		$ 134,481	$ (4,145)	$ 130,336
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness		$ 586		$ 586
Accounts payable and accrued liabilities		4,180		4,180
Warrants		1,212		1,212
Current portion of long-term debt	b,c	1,705	30,117	31,822
		7,683	30,117	37,800
Long-term debt	b,c	30,024	(29,857)	167
		37,707	260	37,967
SHAREHOLDERS' EQUITY				
Share capital		111,080		111,080
Contributed surplus	d	7,329	(4,369)	2,960
Deficit	a,b,d	(21,635)	(36)	(21,671)
		96,774	(4,405)	92,369
		$ 134,481	$ (4,145)	$ 130,336

(Amounts in thousands, except per share amounts)

(iii) Reconciliation of the balance sheet under previous Canadian GAAP to IFRS as at December 31, 2010:

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		$ -		$ -
Marketable securities		67		67
Accounts receivable		19,579		19,579
Shareholder loans		573		573
Inventory		2,638		2,638
Prepaid expenses and deposits		185		185
		23,042	-	23,042
Property and equipment	a,b	104,556	(783)	103,773
Shareholder loans		283		283
Intangible assets	a	2,797	(2,797)	-
		$ 130,678	$ (3,580)	$ 127,098
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness		$ 1,379		$ 1,379
Accounts payable and accrued liabilities		5,873		5,873
Current portion of long-term debt	b	4,500	109	4,609
		11,752	109	11,861
Long-term debt	b	25,217	34	25,251
		36,969	143	37,112
SHAREHOLDERS' EQUITY				
Share capital		110,774		110,774
Contributed surplus	d	8,515	(4,858)	3,657
Deficit	a,b,d	(25,580)	1,135	(24,445)
		93,709	(3,723)	89,986
		$ 130,678	$ (3,580)	$ 127,098

(Amounts in thousands, except per share amounts)

(iv) Reconciliation of the statement of income (loss) and comprehensive income (loss) under previous Canadian GAAP to IFRS for the year ended December 31, 2010:

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
REVENUE		**$ 68,858**		$ 68,858
EXPENSES				
Direct operating expenses	b	**43,698**	(130)	43,568
Selling and administrative expenses		**12,296**		12,296
Stock based compensation	d	**990**	(489)	501
Finance costs	b	**3,075**	14	3,089
Loss on disposal		**222**		222
Unrealized loss (gain) on marketable securities		**(50)**		(50)
Depreciation	a,b	**11,988**	18	12,006
Amortization	a	**583**	(583)	-
		72,802	(1,170)	71,632
NET LOSS AND COMPREHENSIVE LOSS		**(3,944)**	1,170	(2,774)
NET LOSS PER SHARE				
Basic and diluted loss per share		**$ (0.02)**		$ (0.01)

(Amounts in thousands, except per share amounts)

(v) Reconciliation of the statement of income (loss) and comprehensive income (loss) under previous Canadian GAAP to IFRS for the three months ended March 31, 2010:

	Note	Previous Canadian GAAP	Effect of transition to IFRS	IFRS
REVENUE		**$ 20,122**		$ 20,122
EXPENSES				
Direct operating expenses	b	**13,159**	(32)	13,127
Selling and administrative expenses		**3,144**		3,144
Stock based compensation	d	**259**	(133)	126
Finance costs	b	**1,076**	4	1,080
Unrealized loss (gain) on marketable securities		**(7)**		(7)
Depreciation	a,b	**3,125**	4	3,129
Amortization	a	**146**	(146)	-
		20,902	(303)	20,599
NET LOSS AND COMPREHENSIVE LOSS		**(780)**	303	(477)
NET LOSS PER SHARE				
Basic and diluted loss per share		**$ -**		$ -

Notes to the reconciliations

(a) Property and equipment and Intangibles Assets Impairment

The Company determines the recoverable amount for each CGU on the basis of VIU. The VIU was determined by discounting the future cash flows generated from the Company's continuing use of the CGU. The discounted cash flow model employed by the Company reflects the specifics of each CGU and its business environment. The model calculates the present value of the estimated future cash flows of each CGU.

Estimating future cash flows requires judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. The calculation of the VIU was based on the following key assumptions:

(i) Cash flows were projected based on past experience, actual operating results and the one year business plan for the immediate year. Cash flows for a further four year period were extrapolated using a constant growth rate of 1.0 to 3.0 percent with adjustments reflecting an expectation of a recovery in the general economy, forecasted increases in drilling activity, planned reductions in overhead costs and represents the Company's best estimate of the set of economic conditions that are expected to exist over the forecast period.

(ii) The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGU's after the forecast period, considering historic performance and future economic forecasts.

(iii) Each CGU pre-tax discount rate reflects their individual size, risk profile and circumstance and is based on past experience and industry average weighted average cost of capital.

(iv) The tax rates used in determining the future cash flows are those substantively enacted at the January 1, 2010 transition date.

(v) To assess reasonableness of the discounted cash flow model, the resulting VIU is compared to trailing and forecasted market multiples.

As a result of this analysis, the Company recognized an impairment loss relating to intangibles of $3,380 and to property and equipment of $1,023 related to CGU's within the Other Oilfield Services reporting Segment.

(b) Finance leases

Under previous Canadian GAAP, leases of vehicles were classified as operating leases. Under IFRS, the vehicles are classified as a finance lease because of the present value of the minimum lease payments representing significantly all of the fair value of the asset in combination with the fact the lessee can cancel the lease but must cover any of the lessor's losses associated with the cancellation and there is a small amount required by the lessee to payout at the end of the lease to acquire the asset.

The effect of this change in classification as of January 1, 2010, was an increase to property and equipment of $258; debt of $259 and reverse the lease payments booked on the operating leases under previous Canadian GAAP.

(c) Classification of long-term debt

On January 1, 2010, the Company had a debt facility that was due on January 26, 2010, $30 million of which was refinanced on April 20, 2010, prior to the date of release of the statements. As a result, under previous Canadian GAAP, the Company reclassified $30 million to long-term. Under IFRS, the refinancing must have been completed prior to the balance sheet in order to present the debt as non-current. As a result, on transition to IFRS $30 million was reclassified to current portion of long-term debt.

(d) Share based payments

The Company recognizes share based compensation expense for the fair value of stock options granted under previous Canadian GAAP and IFRS. However, the timing and amount of the expense may differ.

Under previous Canadian GAAP, share based compensation were treated as one grant and recognized as an expense as the grant vested. Under IFRS, each vesting tranche is treated as a separate grant with a separate vesting date and fair value. The Company has included a forfeiture estimate in its share based compensation calculation, as is required by IFRS. A forfeiture estimate was not required, or included, under previous Canadian GAAP, and instead forfeitures were recognized as they occurred.

On transition to IFRS, the Company also has the option of reversing the compensation relating to options that were fully vested on transition and had never been exercised. The Company had a large number of fully vested, never exercised options resulting in a credit to the deficit and a debit to the contributed surplus of $4,409.

As a result of this adjustment, the Company's January 1, 2010 contributed surplus balance increased and the deficit balance increased by $40. The Company's share based compensation was reduced by $489 for the year ended December 31, 2010 (March 31, 2010: $133).

(e) Material adjustments to the statement of cash flows

There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous GAAP.