Balance Sheets

Central Alberta Well Services Corp.

For the periods ended June 30, 2008 and December 31, 2007

	2008 (Unaudited)	2007
ASSETS		
Current assets		
Cash	$ –	$ 1,870,034
Restricted cash	20,000	415,000
Accounts receivable	15,365,024	10,868,117
Shareholder loans	148,503	128,470
Inventory and work in progress	1,933,948	1,676,610
Prepaid expenses and deposits	294,463	252,028
Income tax receivable	–	115,736
	17,761,938	15,325,995
Property and equipment	112,088,427	98,497,905
Shareholder loans	–	70,625
Intangible assets	4,269,304	4,570,792
	$ 134,119,669	$118,465,317
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 6)	$ 1,676,530	$ –
Accounts payable and accrued liabilities	5,521,257	7,095,463
	7,197,787	7,095,463
Long-term debt (note 7)	45,783,497	29,453,660
	52,981,284	36,549,123
SHAREHOLDERS' EQUITY		
Share capital (note 8 (a))	80,622,716	80,710,016
Contributed surplus	4,575,277	4,135,569
Warrants (note 8 (d))	2,412,121	2,412,121
Deficit	(6,471,729)	(5,341,512)
	81,138,385	81,916,194
	$ 134,119,669	$ 118,465,317

See accompanying notes to financial statements.

Statements of Loss, Comprehensive Loss and Deficit

Central Alberta Well Services Corp.

For the three and six months ended June 30, 2008 and 2007

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
(Unaudited)	2008	2007	2008	2007
REVENUE	$ 12,756,325	$ 5,965,572	$ 37,341,662	$ 22,863,361
EXPENSES				
Operating expenses	8,845,585	4,878,916	23,635,926	15,263,831
General and administrative	2,383,000	1,392,741	5,114,840	3,273,659
Stock based compensation	208,826	893,416	392,630	1,257,117
Interest	1,300,559	1,451,364	2,601,387	3,764,236
Depreciation	2,967,451	1,981,428	6,309,872	4,247,291
Amortization	150,744	150,744	301,488	301,488
	15,856,165	10,748,609	38,356,143	28,107,622
NET LOSS BEFORE TAX	(3,099,840)	(4,783,037)	(1,014,481)	(5,244,261)
INCOME TAXES				
Current	115,736	–	115,736	1,162
Future (reduction)	(314,500)	(473,400)	–	(682,100)
	(198,764)	(473,400)	115,736	(680,938)
NET LOSS AND COMPREHENSIVE LOSS	(2,901,076)	(4,309,637)	(1,130,217)	(4,563,323)
DEFICIT, BEGINNING OF PERIOD	(3,570,653)	(15,351,643)	(5,341,512)	(15,097,957)
APPLICATION OF PRIOR YEAR DEFICIT TO SHARE CAPITAL	–	15,097,957	–	15,097,957
DEFICIT, END OF PERIOD	$ (6,471,729)	$ (4,563,323)	$ (6,471,729)	$ (4,563,323)
NET LOSS PER SHARE (note 8 (c))				
Basic and diluted loss per share	$ (0.10)	$ (0.15)	$ (0.04)	$ (0.16)

See accompanying notes to financial statements.

Statement of Cash Flows

Central Alberta Well Services Corp.

For the three and six months ended June 30, 2008 and 2007

(Unaudited)	THREE MONTHS ENDED JUNE 30 2008	THREE MONTHS ENDED JUNE 30 2007	SIX MONTHS ENDED JUNE 30 2008	SIX MONTHS ENDED JUNE 30 2007
CASH PROVIDED BY (USED IN):				
OPERATING				
Net loss	$ (2,901,076)	$ (4,309,637)	$ (1,130,217)	$ (4,563,323)
Items not affecting cash:				
Stock based compensation	208,826	893,416	392,630	1,257,117
Interest on shareholder loans	(1,574)	(2,276)	(3,609)	(5,801)
Accretion of debt financing costs and warrants	420,608	364,170	830,143	600,599
Loss (gain) on disposal of assets	–	31,310	(14,095)	31,310
Future income tax (reduction)	(314,500)	(473,400)	–	(682,100)
Depreciation and amortization	3,118,195	2,132,172	6,611,360	4,548,779
	530,479	(1,364,245)	6,686,212	1,186,581
Change in non-cash working capital	6,622,326	6,700,021	(6,200,948)	6,223,749
	7,152,805	5,335,776	485,264	7,410,330
INVESTING				
Purchase of property and equipment	(4,357,806)	(6,769,800)	(19,900,395)	(19,347,005)
Proceeds on sale of assets	–	5,508	14,095	5,508
Decrease in restricted cash	–	–	395,000	–
	(4,357,806)	(6,764,292)	(19,491,300)	(19,341,497)
FINANCING				
Issue of short-term debt	1,218,196	–	1,676,530	–
Issue of long-term debt	–	–	19,500,000	63,000,000
Retirement of long-term debt	(4,000,000)	(43,000,000)	(4,000,000)	(59,499,334)
Restructure of short-term debt	–	–	–	(35,000,000)
Deferred financing costs	–	–	–	803,194
Debt financing costs and warrants	–	–	–	(2,714,184)
Transaction costs	–	–	(306)	–
Issue (repurchase) of common shares (note 8 (a))	(13,195)	50,000,000	(40,222)	50,000,000
Share issue costs	–	(830,434)	–	(830,434)
Increase (repayment) of shareholder loans	–	67,442	–	(121,158)
	(2,794,999)	6,237,008	17,136,002	15,638,084
INCREASE (DECREASE) IN CASH	–	4,808,492	(1,870,034)	3,706,917
CASH, BEGINNING OF PERIOD	–	587,351	1,870,034	1,688,926
CASH, END OF PERIOD	$ –	$ 5,395,843	$ –	$ 5,395,843

Supplementary Information:				
Interest paid	$ 887,318	$ 1,130,301	$ 1,794,949	$ 2,571,837
Payout penalties paid on replacement of old loans	–	–	–	608,071
Interest received	5,793	55,650	20,097	71,153
Income taxes paid	–	–	–	48,824

See accompanying notes to financial statements.

Notes to the Financial Statements

Central Alberta Well Services Corp.

For the three and six months ended June 30, 2008

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 June 30, 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". 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 for operations and to 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 June 30, 2008 and December 31, 2007 are shown in the table below.

	JUNE 30, 2008	DECEMBER 31, 2007
Long-term debt	$ 45,783,497	$ 29,453,660
Shareholders' equity	81,138,385	81,916,194
Long-term debt to equity	0.56	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 June 30, 2008, $1.7 million had been drawn. Monthly repayments of interest only secured by a general security agreement on all assets.

7. Long-term debt:

	JUNE 30, 2008	DECEMBER 31, 2007
Credit facility for $63 million at interest rate of bank prime plus 0.5% up to $35 million outstanding and escalating after that amount, 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.	$ 48,700,000	$ 33,200,000
Unsecured, interest-free loan from Government of Canada related to a patent and repayable upon commercial application of the patent.	24,500	24,500
Total debt	$ 48,724,500	$ 33,224,500
Less:		
Transaction costs relating to the $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.	(1,554,058)	(2,000,813)
Cost of 12,121,212 warrants relating to the $63M long-term facility	(1,386,946)	(1,770,027)
Current portion	$ 45,783,496	$ 29,453,660

At June 30, 2008, estimated principle repayments for each of the next five years are as follows:

2009	$ –
2010	48,700,000
2011	–
2012	–
Thereafter	24,500
	$ 48,724,500

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)	(68,015,790)	–
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 shares	(30,000)	(87,300)
Share transfer to Class B shares	(250,000)	(700,000)
Balance at June 30, 2008	21,453,730	$ 62,692,829

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 June 30, 2008	6,403,531	$ 17,929,887
Total Share Capital as at June 30, 2008	27,857,261	$ 80,622,716
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 June 30, 2008, 30,000 Class A shares were repurchased. At June 30, 2008, all of the 468,200 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 loss per share:

THREE MONTHS ENDED JUNE 30	2008			2007		
	NET LOSS	SHARES	PER SHARE AMOUNT	NET LOSS	SHARES	PER SHARE AMOUNT
Basic and diluted income loss per share	($2,901,076)	27,875,613	($0.10)	($4,309,637)	28,325,461	($0.15)
Securities excluded from diluted loss per share as the effect would be anti-dilutive		5,951,428			956,500	

SIX MONTHS ENDED JUNE 30	2008			2007		
	NET LOSS	SHARES	PER SHARE AMOUNT	NET LOSS	SHARES	PER SHARE AMOUNT
Basic and diluted income loss per share	($1,130,217)	27,875,285	($0.04)	($4,563,323)	28,325,461	($0.16)
Securities excluded from diluted loss per share as the effect would be anti-dilutive		5,951,428			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). Following the consolidation the Company had 22,671,930 Class A common shares and 5,653,531 Class B common shares outstanding. At June 30, 2008 468,200 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 21,453,730 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 six months of 2008, in the opinion of the Company, decreased liquidity left a customer with insufficient funds to settle obligations and recent changes in the operations of another customer resulted in increased exposure to credit risk. As a result, bad debt expense of $123,463 was provided for in the first six months 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 and six months ended June 30, 2008, a one percent change in the prime lending rate would have impacted net income by $130,122 and $243,621, respectively.

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 JUNE 30, 2008	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	9,164,605	3,591,160	560	12,756,325
Interest expense	–	–	1,300,559	1,300,559
Depreciation and amortization	2,321,852	744,817	51,525	3,118,195
Loss before income taxes	(397,509)	(196,644)	(2,505,686)	(3,099,840
Income taxes	–	–	(198,764)	(198,764)
Net loss	(397,509)	(196,644)	(2,306,923)	(2,901,076)
Property, plant and equipment (net of depreciation)	91,043,262	20,038,114	1,007,051	112,088,427
Intangibles (net of depreciation)	–	4,269,304	–	4,269,304
Capital expenditures	4,023,655	62,495	271,656	4,357,806

THREE MONTHS ENDED JUNE 30, 2007	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	3,968,059	1,997,513	–	5,965,572
Interest expense	–	–	1,451,364	1,451,364
Depreciation and amortization	1,213,153	864,376	54,643	2,132,172
Loss before income taxes	(421,917)	(1,403,486)	(2,957,634)	(4,783,037)
Income taxes	–	–	(473,400)	(473,400)
Net loss	(421,917)	(1,403,486)	(2,484,234)	(4,309,637)
Property, plant and equipment (net of depreciation)	61,751,268	22,967,597	868,915	85,587,780
Intangibles (net of depreciation)	–	4,872,280	–	4,872,280
Capital expenditures	6,131,218	601,685	36,897	6,769,800

SIX MONTHS ENDED JUNE 30, 2008	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	26,370,894	10,969,983	785	37,341,662
Interest expense	–	–	2,601,387	2,601,387
Depreciation and amortization	5,010,730	1,504,845	95,785	6,611,360
Net income (loss) before income taxes	2,356,503	1,427,682	(4,798,666)	(1,014,481)
Income taxes	–	–	115,736	115,736
Net income (loss)	2,356,503	1,427,682	(4,914,402)	(1,130,217)
Property, plant and equipment (net of depreciation)	91,043,262	20,038,114	1,007,051	112,088,427
Intangibles (net of depreciation)	–	4,269,304	–	4,269,304
Capital expenditures	19,476,965	88,885	334,545	19,900,395

SIX MONTHS ENDED JUNE 30, 2007	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	14,104,811	8,758,550	–	22,863,361
Interest expense	–	–	3,764,236	3,764,236
Depreciation and amortization	2,786,351	1,655,662	106,766	4,548,779
Net income (loss) before income taxes	1,799,655	(640,863)	(6,403,053)	(5,244,261)
Income taxes	–	–	(680,938)	(680,938)
Net income (loss)	1,799,655	(640,863)	(5,722,115)	(4,563,323)
Property, plant and equipment (net of depreciation)	61,751,268	22,967,597	868,915	85,587,780
Intangibles (net of depreciation)	–	4,872,280	–	4,872,280
Capital expenditures	15,762,266	3,504,057	80,682	19,347,005