Balance Sheets

Central Alberta Well Services Corp.

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

	2008 (Unaudited)	2007
ASSETS		
Current assets		
Cash	$ –	$ 1,870,034
Restricted cash	20,000	415,000
Accounts receivable	21,859,332	10,868,117
Shareholder loans	241,672	128,470
Inventory and work in progress	1,985,349	1,676,610
Prepaid expenses and deposits	157,133	252,028
Income tax receivable	–	115,736
	24,263,486	15,325,995
Property and equipment (note 4)	116,025,352	98,497,905
Shareholder loans	–	70,625
Intangible assets	4,118,560	4,570,792
	$ 144,407,398	$ 118,465,317
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 7)	$ 3,085,029	$ –
Accounts payable and accrued liabilities	7,154,465	7,095,463
	10,239,494	7,095,463
Future income taxes	59,000	–
Long-term debt (note 8)	52,215,477	29,453,660
	62,513,971	36,549,123
SHAREHOLDERS' EQUITY		
Share capital (note 9 (a))	79,740,986	80,710,016
Contributed surplus	5,216,161	4,135,569
Warrants (note 9 (d))	2,412,121	2,412,121
Deficit	(5,475,841)	(5,341,512)
	81,893,427	81,916,194
Commitments (note 10)	$ 144,407,398	$ 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 nine months ended September 30, 2008 and 2007

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
(Unaudited)	2008	2007	2008	2007
REVENUE	$ 23,021,857	$ 11,913,026	$ 60,363,519	$ 34,776,387
EXPENSES				
Operating expenses	14,519,105	7,757,490	38,155,032	23,021,321
General and administrative	2,876,908	1,613,818	7,991,748	4,887,478
Stock based compensation	266,307	–	658,937	1,257,117
Interest	1,273,326	744,671	3,874,713	4,508,906
Depreciation	2,880,579	2,245,859	9,190,450	6,493,150
Amortization	150,744	150,744	452,232	452,232
	21,966,969	12,512,582	60,323,112	40,620,204
NET LOSS BEFORE TAX	1,054,888	(599,556)	40,407	(5,843,817)
INCOME TAXES				
Current	–	–	115,736	1,162
Future (reduction)	59,000	184,000	59,000	(498,100)
	59,000	184,000	174,736	(496,938)
NET LOSS AND COMPREHENSIVE LOSS	995,888	(783,556)	(134,329)	(5,346,879)
DEFICIT, BEGINNING OF PERIOD	(6,471,729)	(4,563,323)	(5,341,512)	(15,097,957)
APPLICATION OF PRIOR YEAR DEFICIT TO SHARE CAPITAL	–	–	–	15,097,957
DEFICIT, END OF PERIOD	$ (5,475,841)	$ (5,346,879)	$ (5,475,841)	$ (5,346,879)
NET EARNINGS (LOSS) PER SHARE (note 9 (c))				
Basic and diluted loss per share	$ 0.04	$ (0.03)	$ –	$ (0.19)

See accompanying notes to financial statements.

Statement of Cash Flows

Central Alberta Well Services Corp.

For the periods ended September 30, 2008 and 2007

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
(Unaudited)	2008	2007	2008	2007
CASH PROVIDED BY (USED IN):				
OPERATING				
Net income (loss)	$ 995,888	$ (783,556)	$ (134,329)	$ (5,346,879)
Items not affecting cash:				
Stock based compensation	266,307	–	658,937	1,257,117
Interest on shareholder loans	(2,056)	(2,057)	(5,663)	(7,858)
Accretion of debt financing costs and warrants	431,979	375,929	1,261,816	976,528
Loss (gain) on disposal of assets	–	(54,816)	(14,095)	(23,506)
Future income tax (reduction)	59,000	184,000	59,000	(498,100)
Depreciation and amortization	3,031,321	2,396,603	9,642,683	6,945,382
	4,782,439	2,116,103	11,468,349	3,302,684
Change in non-cash working capital	(4,866,282)	(4,135,940)	(11,067,232)	2,087,809
	(83,843)	(2,019,837)	401,117	5,390,493
INVESTING:				
Purchase of property and equipment	(6,817,504)	(5,550,611)	(26,717,899)	(24,897,616)
Proceeds on sale of assets	–	105,000	14,095	110,508
Decrease in restricted cash	–	–	395,000	–
	(6,817,504)	(5,445,611)	(26,308,804)	(24,787,108)
FINANCING:				
Issue of short-term debt	1,408,499	–	3,085,029	–
Issue of long-term debt	6,000,000	4,500,000	25,500,000	67,500,000
Retirement of long-term debt	–	–	(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 9 (a))	(507,153)	(85,801)	(547,070)	49,914,199
Share issue costs	–	–	–	(830,434)
Increase (repayment) of shareholder loans	–	–	–	(121,158)
	6,901,346	4,414,199	24,037,653	20,052,283
INCREASE (DECREASE) IN CASH:	–	(3,051,249)	(1,870,034)	655,668
CASH, BEGINNING OF PERIOD:	–	5,395,843	1,870,034	1,688,926
CASH, END OF PERIOD	$ –	$ 2,344,594	$ –	$ 2,344,594
Supplementary Information:				
Interest paid	$ 846,687	$ 409,033	$ 2,641,635	$ 2,980,870
Payout penalties paid on replacement of old loans	–	–	–	608,071
Interest received	3,284	38,235	23,381	109,388
Income taxes paid	–	–	–	48,824
Income taxes refunded	–	381,381	381,381	381,381

See accompanying notes to financial statements.

Notes to the Financial Statements

Central Alberta Well Services Corp.

For the three and nine months ended September 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 5. 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. Changes in accounting estimate:

During the third quarter of 2008, the Company evaluated the depreciation of its production equipment, service rigs and supporting field equipment. As a result of this review it was determined to include salvage values in the calculation of depreciation. This change has been accounted for on a prospective basis with effect from July 1, 2008. For the period ended September 30, 2008, depreciation is $607,865 lower than would have been had no salvage values been estimated. The Company has determined this will provide a more reasonable allocation of the cost of the assets to the periods they are used.

5. Changes 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 September 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.

6. 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 September 30, 2008 and December 31, 2007 are shown in the table below.

	SEPTEMBER 30, 2008	DECEMBER 31, 2007
Long-term debt	$ 52,215,476	$ 29,453,660
Shareholders' equity	81,893,427	81,916,194
Long-term debt to equity	0.64	0.36

7. 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 September 30, 2008, $3.1 million had been drawn. Monthly repayments of interest only secured by a general security agreement on all assets.

8. Long-term debt:

	SEPTEMBER 30, 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 2.00%, 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.	$ 54,700,000	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	54,724,500	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.	(1,322,945)	(2,000,813)
Less value of 3,030,303 warrants issued relating to the $60 million (2007: $63 million) long-term facility.	(1,186,079)	(1,770,027)
	$ 52,215,476	$ 29,453,660

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

2009	$ –
2010	54,700,000
2011	–
2012	–
Thereafter	24,500
	$ 54,724,500

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	(333,000)	(969,030)
Share transfer to Class B shares	(250,000)	(700,000)
Balance at September 30, 2008	21,150,730	$ 61,811,099

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 September 30, 2008	6,403,531	$ 17,929,887
Total Share Capital as at September 30, 2008	27,554,261	$ 79,740,986
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. On September 1, 2008 the NCIB program was renewed, permitting the Company to purchase up to a maximum of 1,073,187 Class A shares on the open market. From January 1, 2008 to August 31, 2008, 468,200 Class A shares were repurchased under the initial NCIB program. From September 1 to September 30, 2008, 303,000 Class A shares were repurchased at an average price (including commissions) of $1.67 per share under the new NCIB. Of the 303,000 Class A shares repurchased under the new NCIB, 235,100 have been returned to treasury and cancelled.

9. **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 SEPTEMBER 30	2008			2007		
	NET LOSS	SHARES	PER SHARE AMOUNT	NET LOSS	SHARES	PER SHARE AMOUNT
Basic and diluted income loss per share	995,888	27,824,035	$ 0.04	($783,556)	28,316,990	($0.03)
Securities excluded from diluted loss per share as the effect would be anti-dilutive		5,919,053			3,030,303	

NINE MONTHS ENDED SEPTEMBER 30	2008			2007		
	NET LOSS	SHARES	PER SHARE AMOUNT	NET LOSS	SHARES	PER SHARE AMOUNT
Basic and diluted income (loss) per share	($134,329)	27,858,077	($0.00)	($5,346,879)	28,322,627	($0.19)
Securities excluded from diluted loss per share as the effect would be anti-dilutive		5,919,053			3,030,303	

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 September 30, 2008 771,200 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 21,150,730 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.

10. Commitments:

As at September 30, 2008, the Company is committed for an estimated $20.2 million upon completion and delivery of equipment in various stages of construction. Expected delivery is late in the fourth quarter of 2008 or early in the first quarter of 2009. To date, the Company has made deposits and progress payments of approximately $7.0 million.

11. 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 nine months of 2008, in the opinion of the Company, decreased liquidity left two customers with potentially 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 $143,014 was provided for in the first nine 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 consist of a long-term facility to a maximum of $60 million maturing on January 25, 2010 and a short-term operating line of credit to a maximum of $3.0 million. Long-term facilities are used to fund capital acquisitions and the short-term line of credit is used to settle current obligations such as accounts payable. It is the intention of the Company that refinancing of the long term facility 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. As at September 30, 2008, the balance of trade accounts receivable in excess of 90 days was $935,694, representing approximately 5% of the trade accounts receivable balance, of this amount $143,014 has been provided for as an allowance for bad debts. In addition, the Company regularly reviews its components of debt to equity to maintain a conservative structure. A structure is maintained that focuses on growth of the Company while ensuring viability for stakeholders. Finally, in an effort to combat the seasonality of the oilfield business and reduce long-term liquidity risk exposure, the Company regularly reviews its cash availability and whenever the conditions permit, the excess cash is applied to the debt outstanding.

c) Market risk:

Market risk is comprised of 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 nine months ended September 30, 2008, a one percent change in the prime lending rate would have impacted net income by $128,653 and $372,274, respectively.

12. 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:

Notes to the Financial Statements (continued)

Central Alberta Well Services Corp.

For the three and nine months ended September 30, 2008

THREE MONTHS ENDED SEPTEMBER 30, 2008	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	16,732,287	6,289,570	–	23,021,857
Interest expense	–	–	1,273,326	1,273,326
Depreciation and amortization	2,319,387	599,558	112,378	3,031,323
Income (loss) before taxes	2,781,347	827,647	(2,554,106)	1,054,888
Income taxes	–	–	59,000	59,000
Net income (loss)	2,781,347	827,647	(2,613,106)	995,888
Property, plant and equipment (net of depreciation)	93,793,468	21,162,068	1,069,816	116,025,352
Intangibles (net of depreciation)	–	4,118,560	–	4,118,560
Capital expenditures	5,007,958	1,668,965	140,580	6,817,504

THREE MONTHS ENDED SEPTEMBER 30, 2007	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	7,269,691	4,643,335	–	11,913,026
Interest expense	–	–	744,671	744,671
Depreciation and amortization	1,478,062	862,920	55,621	2,396,603
Income (loss) before taxes	693,143	53,584	(1,346,283)	(599,556)
Income taxes	–	–	184,000	184,000
Net income (loss)	693,143	53,584	(1,530,283)	(783,556)
Property, plant and equipment (net of depreciation)	65,645,717	22,373,309	823,322	88,842,348
Intangibles (net of depreciation)	–	4,721,536	–	4,721,536
Capital expenditures	5,372,511	168,071	10,029	5,550,611

NINE MONTHS ENDED SEPTEMBER 30, 2008	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	43,103,966	17,259,553	–	60,363,519
Interest expense	–	–	3,874,713	3,874,713
Depreciation and amortization	7,331,277	2,103,244	208,161	9,642,682
Net income (loss) before income taxes	5,136,607	2,257,357	(7,353,557)	40,407
Income taxes	–	–	174,736	174,736
Net income (loss)	5,136,607	2,257,357	(7,528,293)	(134,329)
Property, plant and equipment (net of depreciation)	93,793,468	21,162,068	1,069,816	116,025,352
Intangibles (net of depreciation)	–	4,118,560	–	4,118,560
Capital expenditures	24,484,924	1,757,850	475,125	26,717,899

NINE MONTHS ENDED SEPTEMBER 30, 2007	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	21,374,502	13,401,885	–	34,776,387
Interest expense	–	–	4,508,906	4,508,906
Depreciation and amortization	4,264,413	2,518,582	162,387	6,945,382
Net income (loss) before income taxes	2,492,798	(587,279)	(7,749,336)	(5,843,817)
Income taxes	–	–	(496,938)	(496,938)
Net income (loss)	2,492,798	(587,279)	(7,252,398)	(5,346,879)
Property, plant and equipment (net of depreciation)	65,645,717	22,373,309	823,322	88,842,348
Intangibles (net of depreciation)	–	4,721,536	–	4,721,536
Capital expenditures	21,134,777	3,672,128	90,711	24,897,616