Balance Sheet

For the three months ended March 31, 2009 and 2008 (unaudited)

	2009	2008
ASSETS		
Current assets		
Cash	$ –	$ 3,739,572
Accounts receivable	16,391,782	14,565,755
Shareholder loans	221,250	394,785
Inventory and work in progress	2,763,687	2,479,950
Prepaid expenses and deposits	365,010	442,351
	19,741,729	21,622,413
Property and equipment	122,853,068	118,603,452
Intangible assets	3,817,072	3,967,816
	$ 146,411,869	$ 144,193,681
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (note 6)	$ 2,071,509	$ –
Accounts payable and accrued liabilities	6,714,974	8,176,998
Warrants (note 7)	1,208,027	1,206,813
Current portion of long-term debt (note 9)	58,202,115	–
	68,196,625	9,383,811
Future income taxes	326,000	512,000
Long-term debt (note 9)	24,500	55,419,098
	68,547,125	65,314,909
SHAREHOLDERS' EQUITY		
Share capital (note 10 (a))	78,673,307	78,858,092
Contributed surplus	6,549,922	6,139,422
Deficit, as restated	(7,358,485)	(6,118,742)
	77,864,744	78,878,772
Future operations (note 3)	$ 146,411,869	$ 144,193,681

See accompanying notes to financial statements.

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

For the three months ended March 31, 2009 and 2008 (unaudited)

	2009	2008 (Restated – Note 8)
REVENUE	$ 19,036,614	$ 24,585,337
EXPENSES		
Operating expenses	12,969,545	14,790,340
General and administrative	3,074,609	2,731,840
Stock based compensation	254,752	183,804
Interest	1,364,496	1,323,355
Depreciation	2,648,211	3,342,422
Amortization	150,744	150,744
	20,462,357	22,522,505
NET INCOME (LOSS) BEFORE TAXES	(1,425,743)	2,062,832
INCOME TAXES		
Future (recovery)	(186,000)	314,500
	(186,000)	314,500
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(1,239,743)	1,748,332
DEFICIT, BEGINNING OF PERIOD, AS RESTATED	(6,118,742)	(4,060,326)
DEFICIT, END OF PERIOD	$ (7,358,485)	$ (2,311,994)
NET INCOME (LOSS) PER SHARE (note 10 (b))		
Basic and diluted earnings (loss) per share	$ (0.05)	$ 0.06

See accompanying notes to financial statements.

Statement of Cash Flows

For the three months ended March 31, 2009 and March 31, 2008 (unaudited)

	2009	2008 (Restated – Note 8)
CASH PROVIDED BY (USED IN):		
OPERATING:		
Net Income (loss)	$ (1,239,743)	$ 1,748,332
Items not affecting cash:		
Stock based compensation	254,752	183,804
Interest on shareholder loans	(1,355)	(2,034)
Accretion of debt financing costs and warrants	540,247	432,062
Loss (gain) on disposal of assets	4,602	(14,095)
Future income tax (reduction)	(186,000)	314,500
Depreciation and amortization	2,798,955	3,493,166
	2,171,458	6,155,735
Change in non-cash working capital	(3,351,073)	(12,823,276)
	(1,179,615)	(6,667,541)
INVESTING:		
Purchase of property and equipment	(6,929,429)	(15,542,589)
Proceeds on sale of assets	27,000	14,095
Decrease in restricted cash	–	395,000
	(6,902,429)	(15,133,494)
FINANCING:		
Issue of long-term debt	2,300,000	19,500,000
Increase in bank indebtedness	2,071,509	458,334
Transaction costs	–	(306)
Repurchase of common shares (note 10 (a))	(29,037)	(27,027)
	4,342,472	19,931,001
INCREASE (DECREASE) IN CASH	(3,739,572)	(1,870,034)
CASH, BEGINNING OF PERIOD	3,739,572	1,870,034
CASH, END OF PERIOD	$ –	$ –
Supplementary Information:		
Interest paid	$ 776,918	$ 907,630
Interest received	5,157	14,304

See accompanying notes to financial statements.

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. Future Operations:

The Company currently has a debt facility to a maximum of $60 million due on January 26, 2010. As at March 31, 2009, the full amount of $60 million was drawn. Recent market events, including disruptions in credit markets and the deterioration of global economic conditions have resulted in significant declines in commodity prices. This has impacted the Company through lower than anticipated utilizations, which has impaired the Company's ability to generate cash flows from operations sufficient to settle the obligation or reduce it to a lower amount more likely to be re-financed. In addition, the operating line the Company entered into ceases to be committed in November of 2009. As at March 31, 2009, $2.1 million is outstanding on the line. The Company anticipates that it will be in breach of covenants on both facilities throughout most of 2009. As a result, a waiver was obtained from the lender of the term facility until June, 2009. The lender of the operating line of credit provided a waiver for the period ended March 31, 2009, and is working with the Company to revise the covenants until November of 2009. Given the reduced access to credit and equity markets in the current economic environment there can be no assurance that these facilities will be re-negotiated or replaced with alternate facilities on terms suitable to the Company. To help manage liquidity, management has postponed delivery of the final two rigs and related support equipment under the capital build program and postponed all other capital expenditures approved under the 2009 capital budget until market conditions improve. Further declines in commodity prices could adversely affect management's ability to refinance or re-negotiate the facilities and settle their obligations.

These financial statements have been prepared on the assumption that the Company will be able to renew or refinance its term debt facilities. They do not reflect any adjustments that may be necessary to assets and liabilities should the Company not be successful in refinancing or renewing its term debt or the lender exercises its rights under its credit facilities.

4. 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.

5. Changes in Accounting Policy:

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 is applicable to the Company as of January 1, 2009. The new standard did not have a material impact on the Company's financial statements as at March 31, 2009.

6. Bank Indebtedness:

The Company has available a line of credit to a maximum of $15 million, marginalized based on trade accounts receivable, at an interest rate ranging from bank prime plus 1.25% to bank prime plus 2.00%. As at March 31, 2009, the amount available under the line was $9.2 million. This facility expires in November of 2009. As at March 31, 2009, $2.1 million was drawn. A General Security agreement providing security interest against accounts receivable and second fixed charge over equipment has been provided as security for the line of credit.

7. Warrants:

As part of the $60 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. The warrants have been classified as a liability in accordance with Section 3855, "Financial Instruments – Recognition and Measurement". The fair value of the liability has been calculated utilizing an approximation of the bi-nomial lattice model.

8. Restatement:

During the year ended December 31, 2008, the Company revised the accounting for warrants disclosed in note 7. The warrants contain a cash settlement provision or "put", thereby requiring classification as a financial liability in accordance with Section 3855 "Financial Instruments – Recognition and Measurement". The fair value of the warrants was recalculated utilizing an approximation of the bi-nomial lattice model and prior periods have been restated to reflect this change. The effect of the restatement on the three months ended March 31, 2008 is as follows:

THREE MONTHS ENDED MARCH 31, 2008	PREVIOUSLY REPORTED	ADJUSTMENTS	RESTATED
Interest expense	$ 1,300,828	$ 22,527	$ 1,323,355
Net Income	$ 1,770,859	$ (22,527)	$ 1,748,332
Deficit	$ (3,570,653)	$ 1,258,659	$ (2,311,994)
Current liabilites	$ 7,347,201	$ 1,343,991	$ 8,691,192
Long-term debt	$ 49,362,889	$ (190,529)	$ 49,172,360
Equity	$ 83,843,830	$ (1,153,462)	$ 82,690,368
EPS	$ 0.06	$ (0.00)	$ 0.06

9. Long-term Debt:

	MARCH 31 2009	DECEMBER 31 2008
Credit facility for $60 million at interest rate of bank prime plus 2.75%, maturing on January 25, 2010. Monthly repayments of interest only, secured by a first charge on equipment and a general security agreement on all assets.	$ 60,000,000	$ 57,700,000
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	$ 60,024,500	$ 57,724,500
Less:		
Transaction costs relating to the $60 million term facility	(946,648)	(1,214,676)
Cost of 3,030,303 warrants relating to the $60 million term facility	(851,237)	(1,090,726)
Current portion	(58,202,115)	–
	$ 24,500	$ 55,419,098

At March, 2009, estimated principal repayments for each of the next five years are as follows:

2010	$ 60,000,000
2011	–
2012	–
2013	–
2014	–
Thereafter	24,500
	$ 60,024,500

10. Share Capital:

a) Authorized:

Unlimited number of Class A and Class B common shares

Issued:

CLASS A	NUMBER	AMOUNT
Balance at January 1, 2008	21,733,730	$ 63,480,129
Repurchase of common shares	(636,400)	(1,851,924)
Share transfer to Class B shares	(450,000)	(1,260,000)
Balance at December 31, 2008	20,647,330	$ 60,368,205
Balance at January 1, 2009	20,647,330	$ 60,368,205
Repurchase of shares	(63,500)	(184,785)
Share transfer to Class B shares	(350,000)	(980,000)
Balance at March 31, 2009	20,233,830	$ 59,203,420

10. Share Capital (continued):

CLASS B	NUMBER	AMOUNT
Balance at January 1, 2008	6,153,531	$ 17,229,887
Share transfer to Class A shares	450,000	1,260,000
Balance at December 31, 2008	6,603,531	$ 18,489,887
Balance at January 1, 2009	6,603,531	$ 18,489,887
Share transfer from Class A shares	350,000	980,000
Balance at December March 31, 2009	6,953,531	$ 19,469,887
Total Share Capital as at March 31, 2009	27,187,361	$ 78,673,307
Total Share Capital as at December 31, 2008	27,250,861	$ 78,858,092

In August 2007, the Company began repurchasing Class A shares under a Normal Course Issuer Bid ("NCIB") program. On September 1, 2008, the Normal Course Issuer Bid 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, 2009 to March 31, 2009, 63,500 Class A shares were repurchased at an average price (including commissions) of $0.46 per share under the renewed NCIB. At March 31, 2009, 63,500 of the Class A shares had been returned to treasury and cancelled.

b) Basic and diluted income loss per share:

THREE MONTHS ENDED MARCH 31	2009			2008		
	NET LOSS	SHARES	PER SHARE AMOUNT	NET LOSS	SHARES	PER SHARE AMOUNT
Basic and diluted income (loss) per share	($1,239,743)	27,204,017	($0.05)	1,748,332	27,874,956	$0.06
Securities excluded from diluted income (loss) per share as the effect would be anti-dilutive		5,877,928			5,285,428	

At March 31, 2009, 63,500 shares had been repurchased through the TSX Venture Exchange and 350,000 have been converted from Class A to Class B leaving the Company with 20,233,830 Class A shares available for trading and 6,953,531 Class B shares.

11. Commitments and Contingencies:

As at March 31, 2009, the Company is committed for an estimated $6.7 million upon completion and delivery of equipment in various stages of construction that was originally anticipated to arrive prior to the end of the first quarter. Further manufacturing delays and the current economic downturn resulted in the Company delaying the delivery of the final two units until the third quarter. As a result of this delay, $3.3 million of the remaining $4.6 million that would have otherwise been due in the first quarter is now due in the third quarter of 2009.

12. 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 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 the debt to equity ratio. The components of capital as well as the debt to equity ratio as of March 31, 2009 and December 31, 2008 are shown in the table below.

	MARCH 31, 2009	DECEMBER 31, 2008
Debt	$ 60,298,124	$ 55,419,098
Shareholders' equity	77,864,744	78,878,722
Long-term debt to equity	0.77	0.70

The Company is subject to financial covenants in the debt financing agreements related to both the operating line of credit and term debt. The current ratio and debt service coverage ratio are two financial metrics that provide indicators as to whether the Company is in compliance with its financial covenants. The Company is in violation of certain covenants as March 31, 2009 and has obtained waivers from its lenders.

13. 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; accounts payable and accrued liabilities and short-term 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 assess the credit worthiness of all its customers and views the credit risk on its accounts receivable as normal for its industry.

During the period ended March 31, 2009, in the opinion of management, decreased liquidity left three customers with potentially insufficient funds to settle obligations. As a result, bad debt expense of $145,937 was provided for in the three months ended March 31, 2009.

13. Financial instruments (continued):

c) 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 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 $15 million. 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. As a result of the long term debt facility expiring in January 2010, the Company must refinance this facility through a replacement facility, an issuance of equity or a combination of the two, as the projected cash flow in 2009 will not be sufficient to repay the facility. 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 actively monitors all accounts receivable to maintain accounts outstanding over 60 days to less than 25 percent of the total balance. As at March 31, 2009, the balance of trade accounts receivable in excess of 90 days was $1,057,187, representing approximately seven (7) percent of the trade accounts receivable balance, of this amount $522,679 has been provided for as an allowance for bad debts. 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.

d) Market risk:

Market risk is comprised of foreign currency risk and interest rate risk.

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 is exposed to sudden increases in interest rate changes as all debt facilities are on a variable rate above prime. Although this did benefit the Company through 2008 and through the first quarter of 2009, there is a risk that prime rate could increase over time. The Company will address this risk further with the upcoming refinancing of the long term facility which expires in January 2010. For the three months ended March 31, 2009, a one percent change in the prime lending rate would have impacted net income by $147,368.

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

The amounts related to each industry segment are as follows:

THREE MONTHS ENDED MARCH 31, 2009	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	12,978,688	6,057,926	–	19,036,614
Interest expense	–	–	1,364,496	1,364,496
Depreciation and amortization	1,952,896	605,120	240,939	2,798,955
Net income (loss) before taxes	1,031,143	557,018	(3,013,904)	(1,425,743)
Income taxes	–	–	(186,000)	(186,000)
Net income (loss) and comprehensive loss	1,031,143	557,018	(2,827,904)	(1,239,743)
Property, plant and equipment	100,933,976	21,095,900	823,192	122,853,068
Intangibles	–	3,817,072	–	3,817,072
Capital expenditures	6,501,467	316,682	111,280	6,929,429

THREE MONTHS ENDED MARCH 31, 2008	WELL SERVICING	OTHER OILFIELD SERVICES	CORPORATE	TOTAL
Revenue	17,206,513	7,378,824	–	24,585,337
Interest expense	–	–	1,323,355	1,323,355
Depreciation and amortization	2,689,917	758,988	44,260	3,493,165
Net income (loss) before taxes	2,752,040	1,626,522	(2,315,730)	2,062,832
Income taxes	–	–	314,500	314,500
Net income (loss) and comprehensive loss	2,752,040	1,626,522	(2,630,230)	1,748,332
Property, plant and equipment	89,251,154	20,644,808	802,109	110,698,071
Intangibles	–	4,420,048	–	4,420,048
Capital expenditures	15,453,310	26,390	62,888	15,542,588

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