CWC

CENTRAL ALBERTA WELL SERVICES CORP.

Central Alberta Well Services Corp. ANNUAL REPORT 2006

CENTRAL ALBERTA WELL SERVICES

Central Alberta Well Services Corp. "CWC" or the "Company" is an oilfield services company taking the lead in the innovative delivery of a complete range of oil and gas services. Out of the corporate head office in Calgary, Alberta, a head operations centre in Red Deer, Alberta and strategic regional operations throughout the province, CWC's comprehensive line of services meets the well servicing needs of exploration and development companies across the Western Canadian Sedimentary Basin (WCSB).

Backed by years of industry experience and expertise, CWC boasts the most state of the art, cost efficient and safety oriented technologies available. It operates a fleet of advanced service and completion products with capacities rated from 1,500m – 5,000m, each designed with employee safety, customer economics and investor profitability in mind.

CWC's growing team is supported by a core management group that has worked together as a complete team in the well service business for more than 25 years - paying meticulous attention to customers, people and equipment, while maintaining focus on bottom line performance for shareholders.

Since becoming a public company in September of 2005, CWC has deployed over $73 million of new oilfield equipment, added new ancillary services that strongly support its service rig operations, accelerated growth plans through accretive acquisitions and expanded the scope of its operations to encompass strategic locations across the WCSB. Built on a wealth of experience and a growing track record of success, CWC moves forward with a commitment to service, innovation and growth.

Central Alberta Well Services Corp. trades under the symbol "CWC" on the TSX Venture Exchange.

Notice of Annual and Special Meeting

The Annual and Special Meeting of the shareholders of Central Alberta Well Services Corp. will be held on Thursday, May 31, 2007 in the penthouse suite of the Fairmont Palliser Hotel, 133 - 9th Avenue SE, Calgary, Alberta at 10:00 am. Shareholders are encouraged to attend and those unable to do so are requested to complete and submit their Instrument of Proxy at their earliest convenience.

2006 HIGHLIGHTS

	3 MONTHS ENDED			12 MONTHS ENDED	10 MONTHS ENDED	
	DECEMBER 31 2006	DECEMBER 31 2005	CHANGE	DECEMBER 31 2006	DECEMBER 31 2005	CHANGE
Revenues	$ 13,941,627	$ 1,946,699	616%	$ 39,797,325	$ 2,977,160	1237%
EBITDAS [1]	3,037,654	(208,072)	1560%	9,895,775	(779,449)	1370%
EBITDAS per share [1]						
Basic and diluted	0.07	(0.01)	800%	0.26	(0.09)	389%
Funds from operations [2]	2,485,078	(54,890)	4627%	7,716,326	(1,583,148)	587%
Purchase of property and equipment	$ 5,152,624	$ 8,754,760		$ 40,967,537	$ 18,414,596	

(1) **EBITDAS** is a non-GAAP calculation and is calculated from the statement of income (loss) as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs.

(2) **Funds from operations** is a non-GAAP calculation and is defined as cash from operating activities before changes in non-cash working capital.

- Completed the acquisition of three well established private service companies
- Assembled an additional $41 million of newly manufactured well service equipment
- Extended agreements with a major equipment manufacturer for the manufacture of additional well service equipment
- Expanded on a seasoned management team and board of directors with many years of oilfield experience
- Set up additional strategic operating locations in Red Deer, Provost and Whitecourt, Alberta

Driven by our core well servicing division, we will continue to deploy newly manufactured equipment to meet both the demands of our current service agreements and our long term commitments to our customers.

MESSAGE FROM THE PRESIDENT

The year in review

Central Alberta Well Services entered 2006 with a goal of continued expansion in our well servicing division and a focus on diversifying our product lines. The year unfolded much like it was planned. By the end of the year we had not only achieved our goals, but we had also put ourselves in a position to continue moving forward down our path of growth.

The year started off very strong for operators, as they experienced record activity through the first four months of 2006. Compared to the same period in 2005, 18% more wells were released and 23% more metres were drilled. The Western Canadian drilling rig count jumped from 690 in early January to 755 in early March, and the active rig count tracked above 2005 levels for the entire first quarter.

Performance and growth

On the back of this strong market activity, the service sector was strengthened for the remainder of the year, with completions up by an average of 15% over 2005 levels. CWC was well positioned to capitalize on this market. We began 2006 with four service rigs and three coil tubing units. On March 31, 2006 we completed accretive acquisitions of three well established privately owned service companies, acquiring 100% of the issued shares of SSI Special Services Inc., Precise Energy Services Ltd. and 1080104 Alberta Ltd. ("Vertical Rentals"). These acquisitions extended our product line into snubbing, nitrogen supply and pumping, well testing and oilfield rentals. Thanks to this comprehensive line of services, we have created a unique position for ourselves in the market.

It wasn't long after our acquisitions before our customers recognized the synergies of our expanded product line. CWC was prepared for the increasing demand for our services. Utilization increased across the Company as operations capitalized on cross-selling opportunities. Throughout 2006, we successfully grew within all divisions, finishing the year with sixteen service rigs, seven coil tubing units, five snubbing units, nine nitrogen pumpers, twelve well testing units and a fleet of oilfield rental products. By the end of the year we had consolidated the operations of our wholly-owned subsidiaries, allowing us to capitalize on synergies and minimize redundancies in the process. The financial performance posted during the year came primarily from the expansion of the Company's core service rig division and the addition of the subsidiaries. Rate increases were also recognized early in the first quarter and again in the fourth quarter.

All of this growth has been built on the strength of our team. Our seasoned management group has not only successfully managed our growth to date, but has also developed a platform for future growth. The Company's employee base grew from 22 to 260 employees, giving us the manpower to deliver on our commitments. To recognize the critical contribution of our employees, CWC issued stock options twice during the year, putting company ownership in our people's hands.

Looking forward

It's on the strength of our team that we will move into the future. Driven by our core well servicing division, we will continue to deploy newly manufactured equipment to meet both the demands of our current service agreements and our long term commitments to our customers. Going forward, CWC is committed to the kind of growth and forward movement that defined our activities in 2006, expanding our internal services, sourcing strategic acquisitions of additional services, taking advantage of market synergies to grow our customer base and geographically expanding our operating centres. We are looking forward to building on our successes and taking CWC to new heights.

Respectfully Submitted

Darryl Wilson
President and Chief Executive Officer
April 25, 2007

CWC
CENTRAL ALBERTA WELL SERVICES CORP.

CWC is a publicly traded oilfield service company that provides a comprehensive range of well services to exploration and production companies in the Western Canadian Sedimentary Basin. These services include well servicing, coil tubing, snubbing, nitrogen pumping, well testing and oilfield rentals. With a management team that has extensive experience in the oilfield service industry and an expanding rig fleet, CWC expects to continue its growth throughout 2007 and 2008.

Red Deer Operations

CWC's major central Alberta operations and head office, are located in Red Deer, Alberta. These operations include two buildings with 40,000 square feet of leased space and a 20 acre field facility. All CWC operating divisions are housed at this location, including finance, human resources, health and safety, environmental and technical support.

Provost Operations

CWC's second major facility is strategically located in Provost, Alberta. This facility boasts a 24,000 square foot building situated on 10 acres of land. The team housed in this facility serves the eastern portion of the Sedimentary Basin, providing operational support for active rigs operating in the heavy oil fields extending from north of Bonneville, Alberta to the natural gas fields located around Medicine Hat, Alberta. This facility also provides services to energy clients along the western border of Saskatchewan.

Whitecourt Operations

As part of its strategic growth plan, CWC opened a service location in Whitecourt, Alberta during the fourth quarter of 2006. Established to market nitrogen pumping and delivery services, this site will be expanded to include the full service suite and will be used to expand CWC's geographic reach into northern Alberta and the Peace River Arch.

Operational Management

Leveraging their extensive experience, CWC's management team has the industry recognition to obtain contracts from exploration and production companies, and the ability to attract and retain skilled personnel in a very tight labour market. While CWC is a relatively new company, this management group has been working together as a complete team in the well service business for more than 25 years. Prior to CWC, this group managed a private oilfield service group that was established in 1968 and that grew to become the largest private oilfield servicing company in North America. With this kind of experience, CWC is more appropriately characterized as the reemergence of a successful oilfield services team rather than the commencement of a new operation.

INVESTING IN PEOPLE

CWC employees are the heart of the Company and CWC management is committed to making CWC a top employer. Compensation and benefit programs are targeted to be among the best in the industry, and stock options have been issued to each employee, giving them the benefits that come with Company ownership. Other employee retention plans are planned for introduction in 2007. CWC is also committed to providing every resource available for training our employees for each vocation within the Company. With this kind of employee focus, CWC has secured all of its additional crew requirements for the remainder of 2007.

SYNERGIZED SERVICES

CWC's service delivery model is built around service rigs as the core service offering with a complementary range of support services around that core. The strength of this model was bolstered in 2006 with the acquisition of three well established private service companies. In March 2006, CWC acquired 100% of the issued shares of SSI Special Services Inc., Precise Energy Services Inc. and 1080104 Alberta Ltd. ("Vertical Rentals"). Thanks in part to these acquisitions, CWC can provide up to 80% of the well-site completion and workover requirements of its oil and gas customer base. This comprehensive service delivery approach greatly reduces the complexities facing resource producers by allowing them to outsource the coordination of most of their well-site services through one service provider.

Once a drilling rig has finished drilling to the required depth or when a customer wants to enhance the resource recovery of a currently producing well, an experienced CWC field crew can then move in with a fleet of new equipment. The service rig is the core of this program and is on site for the longest period of time, with other divisions called in to support the well servicing operation.

> Well Servicing: CWC's well services include completions, workovers and remedial recovery production, along with maintenance, heavy oil, critical sour, horizontal and re-entry drilling with depths ranging from 1,500 to 5,000 metres. These services have been specifically designed for producers operating in the Western Canadian Sedimentary Basin. Rigs and related equipment are built to work from the southeast oilfields of Saskatchewan to the northwest gas fields at Fort Nelson, British Columbia. The equipment is not only designed for quick, compact set-up and low maintenance, but to ensure optimal performance consideration has also been given to the area's weather and the geographical movement of the industry.

> Snubbing and Stripping: CWC provides snubbing and stripping operations to create additional efficiencies and stronger performance for operators working in fluid-sensitive formations, under-pressured reservoirs, naturally fractured reservoirs and low-permeability sandstone reservoirs. In these kinds of formations and reservoirs, snubbing and stripping create a continuous, pressure controlled environment and improves the completion of workovers, wireline operations and under-balanced drilling. These services allow production to continue during service work, increasing well production rates and recoverable reserves, and reducing drilling and completion costs.

> Coil Tubing: CWC provides coil tubing services for workover operations, shallow drill outs and extensions into producing zones. After stimulation treatment, coiled tubing is used to clean out the well, eliminating the need for swabbing or pulling the production string. Coil tubing not only speeds up the process of getting in and out of a well, but it also allows work to be completed on the well during production. CWC's coil tubing units work mainly in the CBM fields and work closely with the nitrogen pumping and well service divisions. They have a depth rating of up to 3200 metres.

> Nitrogen Pumping: CWC's nitrogen pumping units offer a heat recovery nitrogen system used in many of the services provided by CWC. As a non-corrosive and non-explosive inert gas, nitrogen is used instead of air whenever a risk hazard exists. It is ideal for purging pipelines, pressure testing vessels and facilitating the withdrawal of stored liquids from vessels. The nitrogen pumpers work in conjunction with CWC's coil tubing, well servicing and snubbing divisions.

> Well Testing: CWC's well testing and pressure control systems are used throughout completion and workover programs. They are an essential component of the operations that CWC performs.

> Equipment Rentals: To provide oil and gas operators with a complete service, CWC rents a full range of specialized equipment, including well-site trailers, portable light towers, boilers, rig matting and tubing racks.

TECHNOLOGICAL ADVANCEMENTS

By investing a vast amount of time and resources into engineering and designing new components for its service divisions, CWC offers an advanced service fleet that incorporates the latest technologies. With designs that maximize capabilities and safety while minimizing weight, CWC offers its energy clients problem-free services that improve operating performance and cost efficiency. CWC's equipment fleet also utilizes standardized components, introducing operating advantages such as lower maintenance costs and reduced parts and replacement component inventories.

FUTURE GROWTH

Going forward, CWC is committed to the Company's original business plan and intends to capitalize on the growth opportunities that have been developed with its customers. After finishing 2006 with an investment total of $73 million in workable assets, CWC committed an additional $22.7 million of capital during the first two quarters of 2007. CWC plans to continue down a path of conservative organic growth throughout 2007 and 2008, while mitigating risks with long-term commitments from our customers.

CWC is also focused on the further integration of its services. With the unique ability to market a complete range of well services, CWC will continue to aggressively cross-market to an expanded customer base. Accretive acquisitions will also provide our clients with expanded lines of complementary services. The goal is to drive internal growth to take advantage of the high level of exploration and development activities taking place across the industry, and to ensure bottom line performance for all stakeholders.

2006 FINANCIAL INFORMATION

The following is management's discussion and analysis ("MD&A") of Central Alberta Well Services Corp.'s ("CWC" or the "Company") audited operating and financial results for the year ended December 31, 2006. This MD&A should be read in conjunction with the CWC's audited financial statements for the year ended December 31, 2006. Additional information on the Company can be found on the Company's website at www.cawsc.com or on SEDAR at www.sedar.com. The information provided in this MD&A is current as of April 25, 2007.

This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions.

Certain statements contained in this MD&A, including statements which may contain such words as "could", "should", "believe", "expect", "will", and similar expressions and statements relating to matters that are not historical facts are forward-looking statements including, but not limited to, statements as to: future capital expenditures, including the amount and nature thereof; business strategy; expansion and growth of the Company's business and operations; and other matters.

Management has made certain assumptions and analyses which reflect their experiences and knowledge in the industry. These assumptions and analyses are believed to be accurate and truthful at the time but the Company can not assure readers that actual results will be consistent with these forward looking statements.

However, whether actual results, performance, or achievements will conform to the Company's expectations and predictions is subject to known and unknown risks and uncertainties which could cause actual results to differ materially from the company's expectations.

All forward looking statements made in the MD&A are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the company will be realized or, even if substantially realized that they will have the expected outcomes to or effects on the Company or its business operations. The Company does not intend, and does not assume any obligation, to update these forward-looking statements. Any forward looking statements made previously may be inaccurate now.

Corporate Development

Central Alberta Well Services Corp. was incorporated on March 1, 2005 as a private company. Upon incorporation, CWC acquired the operating assets of Cactus Coil Tubing Ltd. for cash consideration of $2.7 million.

On September 1, 2005, CWC was amalgamated with e-Quisitions Inc. ("EQ"), a non-operating public company. The combined business continued operations as Central Alberta Well Services Corp.. The amalgamation was accounted for as a reverse takeover transaction as the former shareholders of CWC controlled approximately 80% of the outstanding shares of the Company following amalgamation. Pursuant to the EQ acquisition, the Company issued 1 share for each 20 outstanding shares of EQ, resulting in 900,000 shares being issued for the 18.0 million common shares of EQ. The Company also issued 100,000 shares in settlement of a liability assumed on the EQ acquisition. On amalgamation, the Company issued 3,775,008 common shares on a 1 for 1 basis to the shareholders of CWC.

On March 31, 2006 CWC acquired all the outstanding shares of Precise Energy Services Ltd. (Precise), for total consideration of $4.8 million paid by way of the issuance of 2.5 million shares of CWC at an implied price of $1.85 per share. The shares were placed in a two year escrow agreement. Precise brings to the Company a fleet of production testing equipment.

On March 31, 2006 the Company also acquired the outstanding shares of 1080104 Alberta Ltd. (Vertical Rentals) for total consideration of $2.3 million paid by way of the issuance of 1.2 million shares of CWC at an implied price of $1.85. The shares were placed in a two year escrow agreement. The acquisition of Vertical Rentals provides the Company with a fleet of rental equipment related to the oil and gas services sector.

On March 31, 2006 the Company also completed the acquisition of all the outstanding shares of SSI Special Services Inc. (SSI) for total consideration of $18.3 million. Payment was a combination of $4.0 million cash and 8.0 million CWC shares at an implied rate of $1.75. The CWC shares were placed in a three year escrow agreement. This acquisition brings snubbing services and nitrogen delivery and pumping services to the Company.

Highlights

	3 MONTHS ENDED		12 MONTHS ENDED	10 MONTHS ENDED
	DECEMBER 31 2006	DECEMBER 31 2005	DECEMBER 31 2006	DECEMBER 31 2005
Revenues	$ 13,941,627	$ 1,946,699	$ 39,797,325	$ 2,977,160
Operating costs	8,899,058	1,198,314	24,216,495	1,983,151
	5,042,569	748,385	15,580,830	994,009
	36.2%	38.4%	39.2%	33.4%
General and administrative expenses	1,808,998	956,457	5,489,138	1,773,458
Bad debt	195,917	-	195,917	-
EBITDAS (1)	3,037,654	(208,072)	9,895,775	(779,449)
EBITDAS per share (1)				
Basic and diluted	0.07	-	0.26	(0.09)
Stock based compensation	270,793	128,312	1,536,800	538,829
Interest	1,104,121	(262,718)	2,645,780	789,678
Impairment of goodwill	10,907,667	-	10,907,667	-
Depreciation and amortization	2,673,315	560,076	7,273,309	760,316
Net loss before taxes	(11,918,242)	(633,742)	(12,467,781)	(2,868,272)
Funds from operations (2)	2,485,078	(54,890)	7,716,327	(1,583,148)
Funds from operations per share (2)				
Basic and diluted	$ 0.06	$ (0.00)	$ 0.20	$ (0.19)
Loss per share				
Basic and diluted	$ (0.28)	$ (0.03)	$ (0.31)	$ (0.34)
Purchase of property and equipment	$ 5,152,624	$ 8,754,760	$ 40,967,537	$ 18,414,596

(1) **EBITDAS** is calculated from the statement of loss as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

(2) **Funds from operations** is defined as cash from operating activities before changes in non-cash working capital. Funds from operations and funds from operations per share are measures that provide investors additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Funds from operations and Funds from operations per share do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

For the quarter ending December 31, 2006 the Company generated $13.9 million in revenue and a loss of $11.9 million compared to 2005 revenues of $1.9 million and a loss of $0.6 million. The $12.0 million increase in revenue is a result of the additional equipment that was added to the fleet by the way the acquisition of SSI, Vertical Rentals, and Precise as well as the addition of equipment that was manufactured throughout the year. Of the $11.9 million loss recognized in 2006 $10.7 million of the loss is attributed to the impairment of goodwill write-off. Excluding this impairment the loss per share would have been $0.03. This decrease in net loss year over year shows managements focus on controlled growth.

The growth in EBITDAS in quarter four year over year to $3.0 million in 2006 from a negative $0.2 million in 2005 shows the shows the strength of the Company and the potential of the revenue base. For the twelve months ending 2006 EBITDAS was $9.9 million compared to a negative $0.8 million in the ten months ending December 31, 2005. It is important to note that this increase is not taking into account quarter one for the Other Oilfield Services segment, due to the sector being acquired at the end of March 2006, which is historically the strongest quarter for these services.

The acquisitions have enabled the Company to diversify its services to include service rigs and coil tubing units, well testing, oilfield rentals, snubbing and nitrogen delivery and pumping services. These product lines have been divided into two segmented reporting segments: Well Servicing which consists of service rigs and coil tubing; and Other Oilfield Services which consists of well testing, rentals, snubbing and nitrogen delivery and pumping. Following the acquisitions, the Company generated 58% of its revenue from Well Servicing and 42% from Other Oilfield Services. During the fourth quarter revenue from Well Servicing was $8.0 million (57%) and Other Services was $5.9 million (43%) of the total $13.9 million generated by the Company in the quarter.

Utilizations for quarter four and the year for Well Servicing was 81% (11,902 hours) and 80% (44,400 hours) respectively. Utilization for the Other Oilfield Services segment in quarter four and for the year was 70% and 72%. Utilizations in the Other Oilfield Services segment are based on the number of jobs performed in the period.

Through 2006 the Company was aggressively adding equipment. In that process there was constraints on funds to purchase equipment and delays in construction of equipment. As a result the equipment the Company had projected to be available for use through the fourth quarter was delayed until the first and second quarter of 2007. This impacted the revenues for quarter four by approximately $4.0 million and EBITDAS by $1.6 million. Even with the strong EBITDAS in quarter four we were also impacted by the cost of training people to operate the new equipment as it became available and higher than expected costs for nitrogen which was not passed on to our customers due to competitive pricing in the industry.

	3 MONTHS ENDED		12 MONTHS ENDED	10 MONTHS ENDED
WELL SERVICING	DECEMBER 31 2006	DECEMBER 31 2005	DECEMBER 31 2006	DECEMBER 31 2005
Revenues	7,982,422	1,946,699	23,254,895	2,977,160
Income (loss) before income taxes	179,055	(633,742)	(510,345)	(2,868,272)
EBITDAS [1]	3,879,555	(464,695)	9,064,094	(1,318,278)

	3 MONTHS ENDED		12 MONTHS ENDED	10 MONTHS ENDED
OTHER OILFIELD SERVICES	DECEMBER 31 2006	DECEMBER 31 2005	DECEMBER 31 2006	DECEMBER 31 2005
Revenues	5,959,205	-	16,542,430	-
Income before income taxes	(12,097,297)	-	(11,957,436)	-
EBITDAS [1]	(841,901)	-	831,681	-

(1) **EBITDAS** is calculated from the statement of loss as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

Operational Overview

CWC operates from four facilities; two in Red Deer, one in Provost and has recently opened a satellite branch in Whitecourt, Alberta. The Company provides well services to oil and gas exploration and development companies operating in the Western Canadian Sedimentary Basin including completions, work-over and abandonment, well maintenance, high pressure and critical sour gas well work, re-entry preparation and re-entry drilling and coal bed methane work-overs and completions.

The Company has increased the number of services it offers to its customers while at the same time expanding the fleet within the core of well service rigs. This has been done by the way of both organic growth and acquisitions in order to provide better service to all its customers. The Company continues to follow the philosophy of providing the best possible service by utilizing leading-edge technology and design while focusing on employee safety, health and wellness throughout all of its operations.

As a result of this expansion the Company now operates the following fleet of equipment within the Western Canadian Sedimentary Basin:

	2006				2005
	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31	DECEMBER 31
Units operating at end of period					
Service rigs	16	15	12	8	4
Coil units	7	5	4	3	3
Snubbing units	5	5	5	5	-
Nitrogen tankers & pumpers	11	10	10	8	-
Pressure tanks	12	10	9	9	-

An important competitive advantage that the Company has followed through its growth is to fabricate a well service equipment fleet that utilizes identical components on all units and that are sourced through one primary equipment manufacturer. Such a standardized fleet is expected to benefit from the incremental operating advantages of reduced maintenance costs, and lower parts and replacement component inventories. The Company's commitment to building a modern fleet with leading edge technology will stand out in an industry characterized by an ageing equipment infrastructure.

Significant Agreements

The Company has a supply agreement in place for the manufacture of service rigs and related equipment with a supplier that is a related party. CWC used this relationship through 2006 and plans on continuing to manufacture all new service rigs through this supplier. All transactions are at fair market value and are disclosed in the notes to the financial statements.

Selected Financial Information

2006

THREE MONTHS ENDING	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
Revenues	$ 13,941,627	$ 13,289,105	$ 7,635,119	$ 4,931,474
Net income (loss)	(11,506,480)	182,751	(761,609)	103,090
EPS: basic and diluted	(0.28)	-	(0.02)	-
Weighted average common shares	41,746,881	41,718,232	41,718,122	28,457,574
Total assets	94,798,411	109,106,735	91,475,091	81,371,149
Long-term debt	16,523,834	16,937,611	17,182,610	14,040,639
Purchase of property and equipment	$ 5,152,624	$ 6,476,954	$ 20,075,689	$ 9,262,272

2005

THREE MONTHS ENDING	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31 (1 month)
Revenues	$ 1,946,699	$ 552,068	$ 398,237	$ 80,156
Net income (loss)	(633,742)	(1,187,566)	(938,533)	(108,431)
EPS: basic and diluted	(0.03)	(0.26)	(0.31)	(0.09)
Weighted average common shares	20,282,878	4,553,474	3,005,775	1,275,000
Total assets	27,173,800	20,338,246	19,785,195	4,122,583
Long-term debt	4,950,000	13,595,425	13,845,574	-
Purchase of property and equipment	$ 8,754,760	$ 2,780,272	$ 6,585,654	$ 293,910

The quarterly results of operations have been provided for the four quarters of 2006 and the comparable ten months of operations in 2005. The large net loss in quarter four of 2006 is the result of the impairment of goodwill which was recorded at December 31, 2006. The total amount of this impairment was $10.7 million net of tax adjustments. This impairment is also responsible for the decrease in total assets from $109.1 million to $94.8 million from quarter three to quarter four respectively.

Capital expenditures include assets under construction at the end of each of the quarters presented. Assets under construction are not depreciated until they are available for use.

2006 – A Year in Review

General and administrative expenditures for 2006 were 14% of revenue. Although this may appear to be above other companies within our industry the Company has been in a growth phase and management believes it is staffed properly and will be within industry standards when factoring in a full year of revenues for the equipment it has available at the end of the year. Professional fees continue to be high for the twelve month period due to the three acquisitions that were completed as well as ongoing evaluation of debt and equity financing options.

GENERAL AND ADMINISTRATIVE	12 MONTHS ENDED 2006	10 MONTHS ENDED 2005
Wages and benefits	2,443,652	644,691
Bad Debts	195,917	-
Office	517,266	253,539
Facility	739,178	196,056
Professional fees	634,159	438,336
Other administration	1,154,883	240,836
	5,685,055	1,773,458

Bad debt relates to one customer that has filed for CCAA during the fourth quarter of 2006 as well as a couple of small amounts that management believes may not be collectible.

Interest expense of $2.6 million includes the interest paid on the various debt instruments the Company had during the year including the $35 million bridge financing put in place during the year.

Capital expenditures for the year consisted of the fabrication of many pieces of equipment as noted above including assets that are still under construction at year end. At year end there was a total of $22.7 million committed to assets that were already being fabricated. $15.9 million of this is to a supplier which is a related party. The Company expects to take delivery of all assets under construction by the end of the second quarter 2007 in time for a busier third and fourth quarter.

Related party transactions relate to purchases of equipment from a key supplier, landlords, and professional fees during the course of normal business activities. The prices paid for these services are negotiated at fair value and paid according to the contracts in place. The values relating to 2006 and 2005 were as follows:

YEAR ENDING DECEMBER 31	2006	2005
Purchases of capital equipment	27,123,326	13,235,793
Amounts in accounts payable	92,005	2,246,018
Amounts in rent expense	179,000	128,400
Amounts in G&A	16,000	-
Amounts in long-term debt	309,326	-

Rent expense consists of facility rent in Provost to a company that is owned by a director and rent of our Whitecourt location which is owned by shareholders who are also employees.

Amounts included in general and administrative expense relates to retaining a director to assist in the transition to a new chief financial officer.

The long-term debt represents the amount of a capital lease with a leasing company owned by a director. This lease was part of the SSI acquisition completed on March 31, 2006.

Liquidity and Capital Resources

2006

FOR THE QUARTER ENDED	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
Working capital (deficiency)	(27,256,935)	(23,307,384)	(17,519,991)	(194,130)
Working capital (deficiency) - net of bridge loan and restricted cash	7,330,725	6,120,890	3,074,368	(194,130)
Long-term debt	16,523,834	16,937,611	17,182,610	14,040,639
Shareholders' equity	34,626,065	45,745,474	45,300,850	45,628,496
Long-term debt to equity	0.48	0.37	0.38	0.31

2005

FOR THE QUARTER ENDED	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
				(1 month)
Working capital (deficiency)	2,813,640	6,745,091	8,636,777	(2,884,985)
Working capital (deficiency) - net of bridge loan and restricted cash	2,813,640	6,745,091	8,636,777	(2,884,985)
Long-term debt	4,950,000	13,595,425	13,845,574	-
Shareholders' equity	18,595,144	5,654,048	5,558,314	194,765
Long-term debt to equity	0.27	2.40	2.49	-

Working capital ended the quarter at $7.3 million net of bridge loan and restricted cash, an increase of $1.2 million from September 30.

The Company has committed to the construction of additional equipment through to the end of June 2007 at a forecasted construction cost of $22.7 million. This equipment is being constructed at several different fabrication facilities throughout western Canada.

Subsequent to year end, the Company entered into a loan agreement with a lender for a term debt facility of $63 million with a three year interest only term at a bank prime plus 3.5% to replace all existing debt obligations. The Company has subsequently amended this agreement adding an additional $4.0 million as a short term 60 day loan. Subsequent to that, the Company has entered into an agreement with the lender to issue a maximum of 71.5 million of voting and non-voting shares at $0.70 per share. The proceeds will be used to reduce the amount of term debt outstanding, the continuation of a capital build program and for general corporate purposes. The share issue is subject to shareholder approval.

As at December 31, 2006, the Company had 41,873,273 class A common shares issued and outstanding. Of these, 11.6 million (28%) were held by management, directors and other insiders.

Contractual Obligations

2006	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	GREATER THAN 5 YEARS
Long term debt	3,681,602	1,572,533	1,645,527	439,041	24,500
Operating leases	3,139,956	836,218	1,577,453	726,285	-
Other capital commitments	22,700,000	22,700,000	-	-	-
Total obligations	29,521,558	25,108,751	3,222,980	1,165,326	24,500

The Company is committed to repayment of its long-term debt over the next four years including principle and interest. Along with that the Company has several vehicle leases, building and facility leases, and has just entered into a lease to open a corporate office in Calgary, Alberta.

The Company will also be taking delivery of approximately $22.7 million in newly constructed assets through the first six months of 2007. These assets will go towards meeting the demand the company is experiencing from its customer base to supply more equipment.

Critical Accounting Estimates

This management's discussion and analysis of the Company's financial condition and results of operations is based on the consolidated financial statements which are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Company's significant accounting policies are discussed in note 3 of the audited consolidated financial statements. The presentation of these financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. These estimates are based on experience and assumptions that are believed to be reasonable under the circumstances. Although care has been taken anticipating future events can not be done with certainty, therefore actual results may vary from these estimates over time as more accurate information is available and as the Company's operating environment changes.

Impairment of Long-Lived Assets: Long-lived assets, including property and equipment, intangible assets and goodwill, comprise a majority of the Company's assets. Management reviews the carrying values of these assets for impairment periodically or whenever events or changes in circumstance indicate that their carrying value may not be recoverable. When this occurs management performs various tests to see if the net carrying value differs from fair value, and if the fair value is less than carrying value the asset would be considered to be impaired and an impairment loss would be recognized to reduce the asset's carrying value to its estimated fair value.

Depreciation and Amortization: The Company's property, plant, equipment and intangibles are depreciated and amortized over estimated useful life using both straight line and unit-of-production methods. The estimates may change over time as more useful information becomes available, market conditions shift or other factors change the estimated useful life of the assets.

Stock Based Compensation: Stock based compensation expense associated with the stock-option rights granted to directors and employees is calculated based on assumptions using the Black-Scholes option pricing model to produce an estimate of compensation. This estimate may vary due to changes in the Black-Scholes variables, which include the risk free rate of return, the share price volatility and the rates of forfeiture.

Risk Management

Business risks: Activity in the oil and gas industry is subject to a range of external factors that are difficult to actively manage, including resource demand, commodity pricing and climate. The Company plans to mitigate these risks by creating a strong balance sheet and remaining responsive to changes in industry dynamics.

The Company has a comprehensive insurance policy to help safeguard its assets, operations and employees. This is reviewed annually and revised as changes in circumstances warrant.

Credit risks: The Company currently transacts with oil and gas exploration companies and is exposed to the associated credit risk. Management continually assesses the credit worthiness of these customers and monitors all outstanding balances. Management views the credit risk of its accounts receivables as normal for its industry.

Financing risk: The ability of the Company to complete its budgeted capital acquisition program and meet its payment obligations as they become due will continue to be dependent on its ability to secure sufficient funds through additional debt and equity financing, and to generate positive cash flow from operations.

Supplier Risk: The Company has a large portion of its service rig and associated equipment manufactured by a single provider. While this arrangement provides certain market advantages, it also exposes the Company to potential short-term vulnerability if this supplier experiences unusual production disruptions or labour disputes.

Seasonal and weather risk: Seasonal factors and unexpected weather patterns may lead to reduced oil and gas exploration activity and corresponding declines in the demand for the Company's services during various times of the year.

Competitive Conditions: The operating climate within the Western Canadian Sedimentary Basin is very competitive, resulting in fluctuations of price and utilization rates. CWC attempts to mitigate these risks by creating a good working relationship with its customers and focusing on longer term contracts.

Internal Control Over Financial Reporting and Evaluation of Disclosure Controls and Procedures.

The Chief Executive Officer and the Chief Financial Officer (the "Disclosure Officers") are responsible for establishing and maintaining the Company's disclosure controls and procedures to provide reasonable assurance that the material information relating to the Company is made known. Internal controls over financial reporting have been designed under the supervision of the Disclosure Officers to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statement for external purposes in accordance with Canadian GAAP.

For the period ending December 31, 2006, the Disclosure Officers have evaluated the effectiveness of the disclosure controls and procedures for CWC. This evaluation has caused the Disclosure Officers to identify certain weaknesses within the Company's controls which are:

1. Due to the limited number of staff of CWC, it is not possible to achieve a segregation of all duties; and
2. Due to a limited number of staff, CWC does not have technical accounting expertise and knowledge to address all non-routine complex accounting issues that may arise.

These weaknesses in CWC's internal controls over financial reporting result in a slightly more than remote likelihood that a material misstatement may not be prevented or detected. Management and the board of directors work to mitigate the risk of material misstatement in financial reporting by segregating duties as much as possible and where not possible to have duplication of processes to ensure the accuracy of information. The Company also employs outside consultants and accounting firms to assist with complex accounting and technical issues. In spite of management's best efforts, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Outlook

The Company continues to follow its original business plan of building a high quality service rig company and with that CWC will continue to evaluate accretive acquisitions and continue to build equipment that will be deployed into the existing product lines as it deems appropriate. By the end of June 2007 the company plans to add five additional service rigs, one coil tubing unit, one nitrogen delivery unit, one nitrogen pumping unit and two 5K snubbing units.

Although the demand for services is expected to decrease through the remainder of spring break-up and into the summer the Company still is not able to meet demand for most of its services. By continuing to provide exceptional service with quality assets management believes the Company's equipment utilization will exceed industry average. Margins will continue to improve as we continue to see the benefits of the acquisitions and additional equipment purchased through 2006 and the start of 2007.

The debt restructuring that is in place and the equity restructuring that the Company expects to close following a shareholder vote on May 31 will position the Company to be able to continue to expand and meet the demands of customers. CWC will be looking to our customers for long term commitments and as a result will continue to fabricate additional units. Following this restructuring the Company will be in a position to evaluate accretive acquisitions and react quickly to such opportunities.

The Company's core product line of service rigs continues to grow as does the demand from our customers. This is the platform that the Company has been built and from this platform management believes that the complementary services it now offers can produce efficiencies within the Company and in return provide a well rounded product to its customers. With the combined services the customer will benefit from having one call to make to set up approximately 75% of the services required for the maintenance, completion, or work-over of a well. This will result in scheduling efficiency, thus reducing downtime and saving the customer money.

The Company operates under the philosophy of providing a quality service while providing a safe work environment for all employees and contractors on every site that it operates. This will continue to be the focus and as a result management believes the Company will continue to expand and become a profitable entity in 2007.

MANAGEMENT'S REPORT

To the Shareholders of Central Alberta Well Services Corp.

The accompanying financial statements of Central Alberta Well Services Corp. (CWC) and all the information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and includes certain estimates that reflect management's best judgments. Financial information presented throughout the annual report is consistent with these financial statements.

Management maintains responsibility for internal controls and accounting control system designed to provide reasonable assurance that transactions are properly authorized, assets safeguarded and that the financial records form a reliable base for the preparation of accurate and timely financial information. The Board of Directors oversees the management of the business and ensures that management fulfills its responsibilities.

The Audit Committee, which consists of three non-management directors, has reviewed the consolidated financial statements with management and the external auditor. An independent firm of chartered accountants, appointed as external auditor by the shareholders, has audited the consolidated financial statements and its report is included herein.

Darryl Wilson
President and Chief Executive Officer
April 25, 2007

Darcy Campbell, CMA
Chief Financial Officer
April 25, 2007

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Central Alberta Well Services Corp. as at December 31, 2006 and 2005 and the consolidated statements of loss and deficit and cash flows for the year ended December 31, 2006 and the period from incorporation on March 1, 2005 to December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the year ended December 31, 2006 and the period from incorporation on March 1, 2005 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
April 25, 2007

CONSOLIDATED BALANCE SHEETS
Central Alberta Well Services Corp.
For the periods ended December 31, 2006 & 2005

AS AT DECEMBER 31	2006	2005
ASSETS		
Current assets		
Cash	$ 1,688,926	$ 2,644,827
Restricted cash	415,000	-
Accounts receivable	13,433,591	3,263,105
Shareholder loans (note 9)	-	84,646
Inventory (note 5)	1,729,040	289,630
Prepaid expenses and deposits	270,344	160,088
Income tax receivable	641,663	-
	18,178,564	6,442,296
Property and equipment (note 6)	70,524,885	19,962,118
Shareholder loans (note 9)	118,000	211,875
Deferred financing costs	803,194	38,328
Intangible assets (note 7)	5,173,768	-
Goodwill (note 8)	-	519,183
	$ 94,798,411	$ 27,173,800
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 6,079,557	$ 3,628,656
Short-term debt (note 10)	35,000,000	-
Shareholder loans (note 9)	76,855	-
Current portion of long-term debt (note 11)	4,279,087	-
	45,435,499	3,628,656
Future income taxes (note 13)	2,492,100	-
Long-term debt (note 11)	12,244,747	4,950,000
	60,172,346	8,578,656
SHAREHOLDERS' EQUITY		
Share capital (note 12)	47,661,284	21,172,024
Contributed surplus (note 12 (c) and (d))	2,062,738	538,829
Deficit	(15,097,957)	(3,115,709)
	34,626,065	18,595,144
Commitments and contingencies (notes 14 and 19)		
Subsequent events (note 21)		
	$ 94,798,411	$ 27,173,800

See accompanying notes to financial statements.

Approved on behalf of the Board,

Lou MacEchern, *Director*

Jeff Thomson, *Director*

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

Central Alberta Well Services Corp.

For the periods ended December 31, 2006 & 2005

PERIOD ENDED DECEMBER 31	12 MONTHS ENDED 2006	10 MONTHS ENDED 2005
REVENUE	$ 39,797,325	$ 2,977,160
EXPENSES		
Operating expenses	24,216,495	1,983,151
General and administrative	5,685,055	1,773,458
Stock based compensation (note 12 (c) & (d))	1,536,800	538,829
Interest	2,645,780	789,678
Impairment of goodwill (note 8)	10,907,667	-
Depreciation and amortization	7,273,309	760,316
	52,265,106	5,845,432
NET LOSS BEFORE TAX	(12,467,781)	(2,868,272)
INCOME TAXES (note 13)		
Current (reduction)	(456,633)	-
Future (reduction)	(28,900)	-
	(485,533)	-
NET LOSS	(11,982,248)	(2,868,272)
DEFICIT, BEGINNING OF PERIOD	(3,115,709)	-
ADJUSTMENT TO DEFICIT ON REVERSE TAKEOVER (note 4)	-	(247,437)
DEFICIT, END OF PERIOD	$ (15,097,957)	$ (3,115,709)
NET LOSS PER SHARE (note 12 (e))		
Basic	$ (0.31)	$ (0.34)
Diluted	$ (0.31)	$ (0.34)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Central Alberta Well Services Corp.

For the periods ended December 31, 2006 & 2005

PERIOD ENDED DECEMBER 31	12 MONTHS 2006	10 MONTHS 2005
CASH PROVIDED BY (USED IN):		
OPERATING:		
Net loss	$ (11,982,248)	$ (2,868,272)
Items not affecting cash:		
Stock based compensation	1,536,800	538,829
Interest on shareholder loans	(14,849)	(14,021)
Loss on disposal of assets	24,547	-
Future income tax (reduction)	(28,900)	-
Impairment of goodwill	10,907,667	-
Depreciation and amortization	7,273,309	760,316
	7,716,326	(1,583,148)
Change in non-cash working capital (note 17)	(7,358,909)	(205,604)
	357,417	(1,788,752)
INVESTING:		
Business acquisitions - net of cash (note 4)	(4,285,569)	(2,711,183)
Purchase of property and equipment	(40,967,537)	(18,414,596)
Proceeds on sale of property and equipment	23,004	-
Restricted cash	(415,000)	-
	(45,645,102)	(21,125,779)
FINANCING:		
Issue of long-term debt	8,050,000	4,950,000
Retirement of long-term debt	(1,695,375)	-
Short-term debt	35,000,000	-
Issue of common shares	5,242,282	3,924,500
Share issue costs	(277,204)	(292,718)
Issue of convertible debentures	-	18,504,900
Deferred financing costs	(1,762,420)	(1,244,824)
Repayment of shareholder loans	(225,499)	(282,500)
	44,331,784	25,559,358
(DECREASE) INCREASE IN CASH	(955,901)	2,644,827
CASH, BEGINNING OF PERIOD	2,644,827	-
CASH, END OF PERIOD	$ 1,688,926	$ 2,644,827
Supplementary Information:		
Interest paid	$ 2,716,637	$ 895,188
Interest received	109,963	100,328
Income taxes paid	1,229,163	-
Income taxes refunded	5,327	-

See accompanying notes to financial statements.

1. Description Of Business:

Central Alberta Well Services Corp. ("CWC") was incorporated on March 1, 2005, as a private company under the laws of Alberta. Upon incorporation, CWC purchased the operating assets of Cactus Coil Tubing Ltd. note 4(d).

CWC amalgamated with e-Quisitions Inc. ("EQ"), an inactive public company, on September 1, 2005, continuing business as Central Alberta Well Services Corp. ("Company"). The amalgamation was accounted for as a reverse takeover of EQ by the Company as the former shareholders of CWC controlled approximately 80% of the outstanding shares following amalgamation. The net assets acquired and liabilities assumed are described in note 4 (e).

On March 31, 2006, CWC acquired all the outstanding shares of three separate companies; Precise Energy Services Ltd., 1080104 Alberta Ltd. (Vertical Rentals), and SSI Special Services Inc. These acquisitions brought production testing, a rental fleet, snubbing services and nitrogen delivery and pumping services to CWC note 4 (a), (b), (c).

CWC is an oilfield services company providing production services to oil and gas exploration and development companies throughout the Western Canadian Sedimentary Basin.

2. 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.

3. Significant Accounting Policies:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and the framework of the significant accounting policies summarized below:

a) Basis of presentation:

These consolidated statements include the accounts of the Company and those of its wholly-owned subsidiaries.

3. Significant Accounting Policies (continued):

b) Restricted cash:

Certain cash balances are restricted as they relate to cash collateralization of bank guarantees for payroll electronic funds transfer and short term-loan advances related to equipment that was not received as of the balance sheet date. These funds are not available for general corporate use and have been separately disclosed.

c) Inventory and work in progress:

Inventory is comprised of operating supplies and spare parts and is carried at the lower of average cost and net realizable value. Work in progress consists of manufacturing projects under construction and includes material, labour and overhead relating to the projects.

d) Property and equipment:

Property and equipment are recorded at cost less accumulated depreciation. Depreciation and amortization is provided taking into consideration the estimated useful lives of the assets using the following methods and annual rates:

ASSETS	METHOD	RATE
Service rigs	Unit of production	24,000 operating hours
Production units	Straight-line	3 - 10 years
Other field equipment	Straight-line	2 to 10 years
Computer, furniture and office equipment	Straight-line	4 to 5 years
Intangible assets	Straight-line	3 to 10 years

Assets under construction are not depreciated until they are available for use. Assets are tested for impairment as deemed necessary by changing circumstances that could indicate carrying value impairment.

e) Deferred financing costs:

The costs associated with the issuance of long-term debt are deferred and are amortized by the straight-line method over the term of the debt.

f) Goodwill and intangibles:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values.

Goodwill is not amortized and is tested for impairment annually in the fourth quarter or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared to its fair value. When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of the reporting segment's goodwill exceeds its fair value, in which case the implied fair value of the reporting segment's goodwill is compared to its carrying amount to determine the amount of the impairment loss, if any. Any impairment is charged to income in the period in which it is detected.

3. Significant Accounting Policies (continued):

Intangibles are being amortized over the expected life of each identifiable intangible asset ranging from 3 to 10 years. Intangible assets are tested for impairment as deemed necessary by changing circumstances that could indicate carrying value impairment.

g) Income taxes:

The Company follows the asset and liability method of accounting for income taxes whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying value of assets and liabilities and their tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance was recorded against any future income tax asset if it was more likely than not that the asset will not be realized.

h) Revenue recognition:

Revenue is recognized when services are rendered. The Company's services are generally sold based upon contracts with the customer that include fixed or determinable prices based upon daily, hourly or job rates.

i) Per share amounts:

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated using the treasury stock method whereby the proceeds obtained on exercise of stock options and performance warrants, where market value exceeds exercise price, would be used to purchase common shares at the average price during the period. The weighted average number of shares is then adjusted by the net change.

j) Stock based compensation:

The Company has equity incentive plans which are described in notes 12(c) and 12(d). The fair value of the stock options is calculated at the date of grant using the Black-Scholes option pricing model and the fair value of the performance warrants is measured using the Trinomial Lattice pricing model. The resulting values are recorded as compensation cost over the associated vesting period with an offsetting credit to contributed surplus. Upon exercise, the associated amounts will be reclassified from contributed surplus to share capital. Consideration paid upon exercise of options and performance warrants will be credited to share capital.

k) Comparative figures:

Certain prior period amounts have been reclassified to conform to the current period's presentation.

4. Business Acquisitions:

a) SSI Special Services Inc. ("SSI")

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of SSI and certain shareholder loan balances for total consideration of $18.3 million, excluding transaction costs, including $4.0 million and the issuance of 8.0 million shares of the Company from treasury. SSI provides nitrogen and snubbing services to oil and gas companies operating in Western Canada and has been in operation since 1997.

4. Business Acquisitions (continued):

b) Precise Energy Services Ltd. ("Precise")

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of Precise for a purchase price of $4.8 million, excluding transaction costs, by the issuance of 2.5 million shares of the Company from treasury. Precise provides well testing services to resource companies operating in Western Canada.

c) 1080104 Alberta Ltd. ("Vertical")

On March 31, 2006, the Company acquired 100% of the issued and outstanding shares of Vertical for a purchase price of $2.3 million, excluding transaction costs, by the issuance of 1.2 million shares of the Company from treasury. Vertical has a fleet of rental equipment that it provides to oil and gas customers in Western Canada.

These transactions have been accounted for by the purchase method. These acquisitions closed March 31, 2006. Results from these acquisitions have been included from the date of acquisition. Details of the acquisitions, as amended to reflect the values ascribed, are as follows:

	SSI	PRECISE	VERTICAL	TOTAL
ASSETS:				
Working capital items (*)	$ 1,273,210	$ 283,862	$ 503,260	$ 2,060,332
Property and equipment	11,441,304	2,825,000	1,200,000	15,466,304
Intangible assets	5,626,000	-	-	5,626,000
Goodwill	6,441,301	3,052,500	894,683	10,388,484
	24,781,815	6,161,362	2,597,943	33,541,120
ASSUMED LIABILITIES:				
Due to parent	4,050	-	-	4,050
Long term debt	4,284,671	896,369	38,169	5,219,209
Future income taxes	1,926,000	431,000	257,000	2,614,000
	6,214,721	1,327,369	295,169	7,837,259
NET ASSETS ACQUIRED	18,567,094	4,833,993	2,302,774	25,703,861
Cash consideration	4,000,000	-	-	4,000,000
Acquisition costs	247,094	20,501	17,974	285,569
Shares issued	14,320,000	4,813,492	2,284,800	21,418,292
Total consideration	$ 18,567,094	$ 4,833,993	$ 2,302,774	$ 25,703,861

(*) Includes cash of $298,617 acquired on Vertical acquisition

4. Business Acquisitions (continued):

d) Cactus Coil Tubing Ltd. ("Cactus")

On March 1, 2005, the Company purchased the operating assets of Cactus Coil Tubing Ltd. for cash consideration of $2,700,000. The acquisition has been accounted for by the purchase method with the results of operations included from the date of acquisition. The allocation of the purchase price is as follows:

NET ASSETS ACQUIRED:		
Coil tubing units	$	1,980,500
Other field equipment		85,500
Inventory		126,000
Goodwill		519,183
	$	2,711,183
CONSIDERATION:		
Cash	$	2,700,000
Transaction costs		11,183
	$	2,711,183

e) e-Quisitions Inc. ("EQ")

On September 1, 2005, CWC was amalgamated with EQ with the newly formed corporation continuing as Central Alberta Well Services Corp. The amalgamation represented a reverse takeover of EQ, a non-operating public company whose shares had been halted from trading since October 22, 2004, and has been accounted for as a capital transaction. The financial statements on completion of the acquisition represent the continuation of CWC. CWC was incorporated on March 1, 2005, and, accordingly, no comparative financial information is presented.

Pursuant to the amalgamation agreement, EQ shareholders received one share of the Company in exchange for each twenty shares of EQ held and CAWS shareholders received one share of the Company for each one share of CWC held. The net liabilities assumed from EQ are as follows:

NET LIABILITIES ASSUMED:		
Accounts payable and accrued liabilities	$	147,437
Note payable		100,000
	$	247,437

The net liability was charged directly to deficit at the time of the acquisition.

The accounts payable and accrued liabilities balance of $147,437 was paid in full during the third and fourth quarters of 2005.

The Company issued 100,000 common shares at $1.00 each in settlement of the note payable concurrent with the closing of the reverse takeover.

5. Inventory and Work in Progress:

DECEMBER 31	2006	2005
Inventory	$ 1,554,005	$ 289,630
Work in process	175,035	-
	$ 1,729,040	$ 289,630

6. Property and Equipment:

DECEMBER 31, 2006	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Service rigs	$ 20,561,148	$ 1,787,562	$ 18,773,586
Production units	21,735,395	1,709,732	20,025,663
Other field equipment	29,690,022	2,658,985	27,031,037
Computers, furniture and office equipment	1,076,294	181,291	895,003
Assets under construction	3,799,596	-	3,799,596
	$ 76,862,455	$ 6,337,570	$ 70,524,885

DECEMBER 31, 2005	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Service rigs	$ 8,852,768	$ 329,670	$ 8,523,098
Production units	-	-	-
Other field equipment	6,223,077	155,488	6,067,589
Computers, furniture and office equipment	278,457	33,321	245,136
Assets under construction	5,126,295	-	5,126,295
	$ 20,480,597	$ 518,479	$ 19,962,118

The Company had $4,541,779 in capital leases all related to the production unit category of property and equipment ($336,792 accumulated amortization).

7. Intangibles:

DECEMBER 31, 2006	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Leasehold interest	$ 55,000	$ 4,329	$ 50,671
Developmental technologies	321,000	54,153	266,847
Trade name	1,300,000	97,497	1,202,503
Customer relationships	3,950,000	296,253	3,653,747
	$ 5,626,000	$ 452,232	$ 5,173,768

DECEMBER 31, 2005	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Intangibles	-	-	-
	$ -	$ -	$ -

8. Goodwill:

DECEMBER 31, 2006	OPENING BALANCE	ACQUIRED	IMPAIRMENT WRITE-DOWN	NET BOOK VALUE
Goodwill	519,183	10,388,484	10,907,667	-

DECEMBER 31, 2005	OPENING BALANCE	ACQUIRED	IMPAIRMENT WRITE-DOWN	NET BOOK VALUE
Goodwill	-	519,183	-	519,183

Goodwill is recorded at cost and is not amortized. In the fourth quarter of 2006, following the Company's annual goodwill test, management determined that goodwill was impaired for both our Well Servicing and Other Oilfield Services segments. Step one indicated that there was an impairment of both segments. The second step of the impairment test was performed to determine the amount of the goodwill impairment loss. Upon completion of the second test it was determined that the full amount of the goodwill was impaired in each segment. The total impairment loss was $10,907,667 and was recorded at December 31, 2006.

9. Shareholder Loans:

On March 1, the Company provided loans to certain employees to assist in the purchase of 1,165,000 common shares of the Company. Shareholder loans outstanding as at December 31, 2006, total $188,625 (2005: $282,500) plus accrued interest of $12,520 (2005: $14,021). Promissory notes obtained from these shareholders require equal payments of principal of $70,625 per year over a four-year period, plus interest at 6% calculated semi-annually on the anniversary of the issuance dates. The loans are secured by personal guarantees from the shareholders. The Company holds a security interest in these shares and 50% of the associated shares are being held in trust by the Company until the promissory notes have been paid in full. Market value of these shares at December 31, 2006, was $757,250. The current portion of these shareholder loans have been netted against other net payable amounts of $160,000 relating to advances made from a shareholder that have no set terms of repayment resulting in a net receivable of $41,145.

10. Short-term Debt:

DECEMBER 31	2006	2005
Original credit facility was set up for $21 million with a due date of September 29, 2006. Prior to maturity, the facility was expanded to $35 million and extended to April 30, 2007. Credit facility is at an interest rate of bank prime rate plus 3.00% with monthly payments of interest only secured by a second charge on equipment and a general security agreement.	$ 35,000,000	-

11. Long-term Debt:

DECEMBER 31	2006	2005
Credit facility for $13 million at interest rates based on Government of Canada bond yield plus 3.2%, monthly payments of interest only to December 31, 2006, followed by 48 equal payments of principal and interest, secured by a first charge on equipment and a general security agreement.	$ 12,927,654	$ 4,950,000
Capital leases with interest at fixed interest rates from 2.9% to 11.0% maturing at various dates from October 2006 to February 2011, monthly payments of principal and interest of $87,329, secured by charges over specific equipment.	2,418,167	-
Equipment loans bearing interest at bank prime rate plus 1.25%, monthly payments of $18,403 per month, maturing at various dates from September 2009 to October 2010.	753,513	-
Unsecured loans with no fixed terms of repayment, incurring interest at 10% per annum, payable monthly.	400,000	-
Unsecured, interest-free loan from Government of Canada related to a patent and repayable upon commercial application of the patent.	24,500	-
Total debt	16,523,834	4,950,000
Less current portion	4,279,087	-
	$ 12,244,747	$ 4,950,000

11. Long-term Debt (continued):

At December 31, 2006, estimated principal repayments for each of the next five years are as follows:

2007	$ 4,279,087
2008	4,083,418
2009	4,141,113
2010	3,995,716
2011	-
Thereafter	24,500
	$ 16,523,834

12. Share Capital:

a) Authorized:

Unlimited number of common shares

b) Issued:

	NUMBER	AMOUNT
Balance at January 1, 2006	27,080,138	$ 21,172,024
Issued on private placement	2,904,400	5,082,704
Issued on exercise of options	36,667	65,630
Issued on SSI acquisition (note 4)	8,000,000	14,320,000
Issued on Precise acquisition (note 4)	2,507,027	4,813,492
Issued on Vertical acquisition (note 4)	1,190,000	2,284,800
Share issue costs (net of tax - $93,000)	-	(184,204)
Issued to repay shareholder loan	155,041	106,838
Balance at December 31, 2006	41,873,273	$47,661,284

	NUMBER	AMOUNT
Common shares:		
Issued on incorporation	1,275,000	$ 318,750
Issued on private placement	2,500,008	1,500,000
Issued on EQ acquisition (note 4)	900,000	-
Issued on settlement of note payable (note 4)	100,000	100,000
Issued on short form offering document	1,739,130	2,000,000
Issued on conversion of debentures	20,561,000	18,504,900
Issued on exercise of options	5,000	5,750
Share issue costs	-	(1,257,376)
Balance at December 31, 2005	27,080,138	$21,172,024

12. Share Capital:

b) Issued (continued):

During February 2006, the Company completed a private placement of 2,904,400 shares at $1.75 per share for gross proceeds of $5,082,704. Related costs of $247,204, less income tax of $82,935, were recorded as share issue costs.

On March 31, 2006, the Company completed the acquisitions of SSI, Precise and Vertical. On the SSI transaction the Company issued 8,000,000 shares for purchase consideration of $14,320,000. On the Precise acquisition, the Company issued 2,507,027 shares for purchase consideration of $4,813,492. On the Vertical acquisition, the Company issued 1,190,000 shares for purchase consideration of $2,284,800. Related costs of $30,000, less income tax of $10,065, were recorded as issue costs.

During December 2006, the Company issued 155,041 shares in settlement of an outstanding shareholder loan.

c) Performance warrants

The Company issued 3,600,000 performance warrants on April 28, 2005, to certain of its directors and officers with a term of five years. Upon vesting, the warrants are exercisable into shares of the Company at a price of $1.00 per share. 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. The grant date fair value at time of issue was $0.38 per warrant.

Of these warrants, 2,936,850 (82%) are subject to an escrow agreement, whereby, upon subject to the above vesting conditions, 10% of the warrants were released upon issuance and 15% of the balance are releasable every six months for three years.

The fair value of the performance warrants was estimated as at the grant date using the Trinomial Lattice pricing model. The Company recognized compensation expense for the performance warrants based upon the following assumptions:

Risk free rate of return	3.40%
Expected life (years)	5
Volatility	50%
Dividend yield	0%
Employee exit rate	0%

d) Stock option plan

During 2005, the Company established a stock option plan to provide directors, officers, employees and consultants with the opportunity to participate in its growth and development. As at January 1, 2006, 1,445,000 options were outstanding at exercise prices between $1.15 and $2.50 per share, expiring during 2010. As at March 31, 2006, an additional 1,467,500 options were issued at exercise prices between $1.75 and $1.82 per share, expiring during 2011. During the quarter ended June 30, 2006, an additional 548,000 options were issued at an exercise price of $2.07 per share, expiring during 2011. During December, an additional 300,000 options were issued at an exercise price of $0.75 per share expiring December 2011.

One third of the options vested upon issuance, and the balance vest in equal amounts on each anniversary over the next two years.

12. Share Capital:

d) Stock option plan (continued)

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Outstanding, January 1, 2006	1,445,000	1.80
Granted	2,315,500	1.72
Exercised	(36,667)	(1.18)
Forefeited	(108,833)	(1.76)
Outstanding, December 31, 2006	3,615,000	1.75

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Outstanding, March 1, 2005	-	-
Granted	1,450,000	1.79
Exercised	(5,000)	1.15
Forefeited	-	-
Outstanding, December 31, 2005	1,445,000	1.80

The fair value of the options granted was estimated as at the grant date using the Black-Scholes option pricing model. The Company recognized compensation expense for these stock options based upon the following assumptions:

Risk free rates of return range	3.71% - 4.15%
Expected life (years)	5
Volatility	50%
Dividend yield	0%

DECEMBER 31, 2006

RANGE OF EXERCISE PRICE	OUTSTANDING STOCK OPTIONS	WEIGHTED AVG. EXERCISE PRICE ($)	REMAINING LIFE	EXERCISABLE STOCK OPTIONS	WEIGHTED AVG. EXERCISE PRICE ($)
0.75	300,000	0.75	4.96	100,000	0.75
1.15 - 1.82	2,017,500	1.60	4.02	867,500	1.50
1.91 - 2.50	1,297,500	2.22	4.03	699,167	2.26
.75 - 2.50	3,615,000	1.75	4.18	1,666,667	1.77

DECEMBER 31, 2005

RANGE OF EXERCISE PRICE	OUTSTANDING STOCK OPTIONS	WEIGHTED AVG. EXERCISE PRICE ($)	REMAINING LIFE	EXERCISABLE STOCK OPTIONS	WEIGHTED AVG. EXERCISE PRICE ($)
1.15	645,000	1.15	4.67	215,000	1.15
1.91 - 2.50	800,000	2.32	4.86	266,667	2.32
1.15 - 2.50	1,445,000	1.79	4.80	481,667	1.80

12. Share Capital (continued):

e) Contributed surplus

DECEMBER 31	2006	2005
Opening balance	$ 538,829	$ -
Stock based compensation	1,536,800	484,829
Warrant compensation	-	54,000
Exercise of options	(12,891)	-
Closing balance	$ 2,062,738	$ 538,829

f) Basic and diluted loss per share

	12 MONTHS ENDED 2006			10 MONTHS ENDED 2005		
DECEMBER 31	NET LOSS	SHARES	PER SHARE	NET LOSS	SHARES	PER SHARE
Basic and diluted loss per share	$ (11,982,248)	38,422,915	$ (0.31)	$ (2,868,272)	8,480,388	$ (0.34)
Dilutive effect of:						
Stock option conversions		-		-		
Performance warrant conversions		-		-		
Diluted income (loss) per share	$ (11,982,248)	38,422,915	$ (0.31)	$ (2,868,272)	8,480,388	$ (0.34)
Securities excluded from diluted loss per share as the effect would be anti-dilutive	7,215,000			12,140,804		

13. Income Taxes:

a) The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate of 32.50% to the loss before income taxes. The difference relates to the following items:

	2006	2005
Statutory rate	32.50%	33.62%
Income taxes (recovery) at statutory rate	$ (4,052,029)	$ (964,313)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	53,378	5,280
Stock compensation expense	499,460	181,154
Goodwill impairment	3,376,257	-
Tax rate changes	(355,545)	-
Other	(7,054)	-
Valuation allowance	-	777,879
	(485,533)	-

13. Income Taxes (continued):

Significant components of the Company's future income tax assets and liabilities at period end are as follows:

	2006	2005
Operating losses	2,009,072	1,210,727
Share issue and deferred financing costs	555,855	417,363
Property and equipment	(4,476,095)	(422,359)
Goodwill	138,811	(5,121)
Intangible assets	(719,743)	-
Valuation allowance	-	(1,200,610)
	(2,492,100)	-

b) The operating losses included in the future income tax assets are available for carry-forward for tax purposes to apply against future taxable income until 2015 when any unused balance will expire.

14. Commitments:

a) The Company is committed to rent payments for office, yard space, operating vehicle lease payments and operating lease costs on office equipment through to 2011 as follows:

DECEMBER 31, 2006	TOTAL	LESS THAN 1 YEAR	1 - 3 YEARS	4 - 5 YEARS	GREATER THAN 5 YEARS
Long-term debt	3,681,602	1,572,533	1,645,527	439,041	24,500
Operating leases	3,139,956	836,218	1,577,453	726,285	-
Other capital commitments	22,700,000	22,700,000	-	-	-
Total obligations	29,521,558	25,108,751	3,222,980	1,165,326	24,500

Subsequent to year end, the company entered into a five-year lease on office space in Calgary at a cost of $95,900 per annum.

b) During April 2005, the Company entered into a master equipment supply agreement for the manufacturing and supply of service rigs, coiled tubing units, boilers and other related equipment. As at December 31, 2006, the Company had several pieces of equipment in various stages of construction to be delivered no later than the end of the second quarter of 2007. Total commitments for all assets being constructed by non-related parties was $6.8 million and with related parties was $15.9 million.

c) The Company is bound by an Irrevocable Letter of Guarantee for $20,000 pursuant to a product supply arrangement. The guarantee expired on May 6, 2006, and was automatically renewed and will continue to automatically renew annually in one-year increments.

15. Related Party Transactions:

During 2006, the Company entered into various related party transactions in the regular course of operations and through acquisitions. Transactions with related parties are recorded at fair market value determined by the contracts.

YEAR ENDING DECEMBER 31	2006	2005
Purchases of capital equipment	27,123,326	13,235,793
Amounts in accounts payable	92,005	2,246,018
Amounts in rent expense	179,000	128,400
Amounts in G&A	16,000	-
Amounts in long-term debt	309,326	-

Purchases of capital equipment pursuant to a master supply agreement with a supplier controlled by one of the Company's directors, the Company engaged in a number of transactions to purchase service rigs and related equipment. At December 31, 2006 the Company had $15.9 million of assets under construction with this supplier.

Amounts in accounts payable relates to the purchase of parts and equipment from the same supplier noted above.

Amounts in rent expense relates to the rental of our Provost property which is owned by a company controlled by a one of our directors. There is also a rental agreement in place for our property in Whitecourt which is owned by a separate group of which two of the owners are both shareholders and employees of the Company. Each of these agreements is at fair market value.

Amounts included in general and administrative expense relates to retaining a director to assist in the transition period to a new Chief Financial Officer.

The long-term debt amount relates to a capital lease with a leasing company owned by a director. This lease was part of the SSI acquisition completed on March 31, 2006.

16. Financial Instruments:

a) Fair value of financial assets and liabilities:

The Company's financial instruments recognized on the balance sheet include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and shareholders loans. The fair value of these instruments approximates their carrying amounts fair value 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.

b) 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 reducing 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.

16. Financial Instruments (continued):

c) Interest rate risk:

The Company manages its exposure to interest rate fluctuations through the issuance of a combination of variable and fixed rate borrowings.

17. Changes in Non-Cash Working Capital:

The changes in non-cash working capital are as follows:

	2006	2005
Accounts receivable	$ (3,652,926)	$ (3,263,105)
Inventory	(1,158,748)	(163,630)
Prepaids and deposits	100,469	(160,088)
Income taxes receivable	(1,665,508)	-
Accounts payable and accrued liabilities	(982,196)	3,628,656
Net liabilities assumed *	-	(247,437)
	$ (7,358,909)	$ (205,604)

** Adjustment to deficit on reverse takeover (note 4 (e))*

18. Significant Customers:

During 2006 the Company had no single customer account for over 7% of annual revenues during the year and the Company's top 10 customers accounted for 47% of annual revenues. During the ten-month period ended December 31, 2005, sales to three customers accounted for approximately 70% of total sales.

19. Contingencies:

The Company is sometimes named as a defendant in litigation. The nature of these claims is usually related to personal injury, labour issues or completed operations. The Company maintains insurance management deems sufficient for such matters. The Company currently is defending one such claim that was acquired with one of the acquisitions in the year. The Company is indemnified from losses relating to this particular claim through the purchase agreement.

20. 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 accounting policies of the segments are the same as those described in note 3, significant accounting policies. The Company evaluates performance on net income before taxes. Inter-segment sales are recorded at current market prices and eliminated upon consolidation.

20. Segmented Information (continued):

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:

DECEMBER 31, 2006	WELL SERVICING	OTHER OILFIELD SERVICES	INTER-SEGMENT ELIMINATION	TOTAL
Revenue	23,259,618	17,059,552	(521,845)	39,797,325
Interest expense	2,330,990	314,790	-	2,645,780
Impairment of goodwill	519,183	10,388,484	-	10,907,667
Depreciation and amortization	5,187,466	2,085,843	-	7,273,309
Income (loss) before income taxes	(510,345)	(11,957,436)	-	(12,467,781)
Income taxes	327,800	(813,333)	-	(485,533)
Net loss	(838,145)	(11,144,103)	-	(11,982,248)
Intangibles	-	5,173,768	-	5,173,768
Total Assets	61,822,938	32,975,473	-	94,798,411
Capital expenditures *	33,083,595	7,883,942	-	40,967,537

** excludes property and equipment acquired on business acquisitions*

DECEMBER 31, 2005	WELL SERVICING	OTHER OILFIELD SERVICES	INTER-SEGMENT ELIMINATION	TOTAL
Revenue	2,977,160	-	-	2,977,160
Interest expense	789,678	-	-	789,678
Depreciation and amortization	760,316	-	-	760,316
Income (loss) before income taxes	(2,868,272)	-	-	(2,868,272)
Net loss	(2,868,272)	-	-	(2,868,272)
Goodwill	519,183	-	-	519,183
Total Assets	27,173,800	-	-	27,173,800
Capital expenditures *	18,414,596	-	-	18,414,596

** excludes property and equipment acquired on business acquisitions*

21. Subsequent Events:

a) Amalgamation of all subsidiaries

On January 1, 2007, the Company amalgamated CWC, SSI Special Services Inc., Precise Energy Inc., 1080104 Alberta Ltd. (Vertical Rentals) and the continuing entity operates as Central Alberta Well Services Corp.

b) Debt Restructuring and Equity Refinancing:

In January 2007, the Company entered into a loan agreement with a lender for a term debt facility of $63 million with a three-year term with interest only payments at a bank prime rate plus 3.5%. 12,121,212 warrants were issued at an exercise price of $0.825 per warrant to the holder of the term debt. These warrants expire January 26, 2010. All existing debt obligations were repaid with the proceeds of the term loan. In April 2007, the company amended this loan agreement to allow for a $4 million short term, 60-day loan from the lender. The proceeds of which have been used to pay for the delivery of additional equipment in 2007.

In April 2007, the Company entered into an agreement with the lender to issue a maximum of 71.5 million of voting and non-voting common shares at $0.70 per share. The proceeds of the issue will be used to reduce the amount of debt outstanding to approximately $20 million, to continue with a capital build program, and general corporate needs. The existing term debt facility will be revised as a $63 million revolving facility. The share issue is subject to shareholder approval.

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