Management Discussion & Analysis 2014 — Dated: February 26, 2015

The following discussion of the financial condition, changes in financial condition and results of operations of Western Energy Services Corp. (the "Company" or "Western") should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2014 and 2013. This Management Discussion and Analysis ("MD&A") is dated February 26, 2015. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Financial Highlights	**Three months ended December 31**		**Year ended December 31**		
(stated in thousands, except share and per share amounts)	**2014**	**2013**	**2014**	**2013**	**2012**
Revenue	139,210	129,713	507,832	379,943	308,617
Operating Revenue(1)	129,181	119,831	474,120	353,124	282,856
Gross Margin(1)	57,826	52,980	207,231	147,559	131,063
Gross Margin as a percentage of Operating Revenue	45%	44%	44%	42%	46%
Adjusted EBITDA(1)	50,419	43,543	176,777	117,423	108,931
Adjusted EBITDA as a percentage of Operating Revenue	39%	36%	37%	33%	39%
Cash flow from operating activities	47,830	36,866	181,351	114,358	104,916
Capital expenditures	31,071	27,529	108,604	95,234	127,231
Net income (loss)	(8,164)	15,797	36,450	35,246	45,178
-basic net income (loss) per share	(0.11)	0.22	0.49	0.51	0.77
-diluted net income (loss) per share	(0.11)	0.21	0.48	0.50	0.74
Weighted average number of shares					
-basic	74,882,690	73,374,219	74,396,701	69,032,574	58,784,692
-diluted	74,927,714	73,654,868	75,427,149	69,873,460	60,860,359
Outstanding common shares as at period end	74,866,028	73,386,191	74,866,028	73,386,191	59,582,143
Dividends declared	5,614	5,504	22,376	20,983	8,924
Dividends declared per common share	0.075	0.075	0.30	0.30	0.15
Operating Highlights					
Contract Drilling					
Canadian Operations					
Average contract drilling rig fleet	50	46	49	45	41
Operating Revenue per revenue day(2)	27,104	26,060	26,178	24,829	26,163
Operating Revenue per operating day(3)	29,710	28,884	28,699	27,513	29,102
Drilling rig utilization rate per revenue day(4)	65%	72%	64%	61%	60%
Drilling rig utilization rate per operating day(5)	59%	65%	58%	55%	54%
CAODC industry average utilization rate(5)	45%	43%	44%	40%	42%
United States Operations					
Average contract drilling rig fleet	5	5	5	5	5
Operating Revenue per revenue day (US$)(2)	28,309	23,457	26,124	22,507	26,154
Operating Revenue per operating day (US$)(3)	31,876	26,559	29,680	26,942	32,742
Drilling rig utilization rate per revenue day(4)	95%	99%	94%	81%	85%
Drilling rig utilization rate per operating day(5)	85%	87%	83%	67%	68%
Production Services					
Average well servicing rig fleet	65	65	65	48	5
Operating Revenue per service hour(3)	837	804	817	766	596
Service rig utilization rate(6)	58%	53%	54%	45%	36%

(1) See "Financial Measures Reconciliations" on page 2 of this MD&A.
(2) Operating Revenue per revenue day is calculated using Operating Revenue divided by operating days and mobilization days.
(3) Operating Revenue per operating day and per service hour are calculated using Operating Revenue divided by operating days and service hours, respectively.
(4) Drilling rig utilization rate per revenue day is calculated based on operating and mobilization days divided by total available days.
(5) Drilling rig utilization rate per operating day is calculated on operating days only (i.e. spud to rig release basis) divided by total available days.
(6) Service rig utilization rate is calculated based on actual well servicing hours divided by available hours, being 10 hours per day, per well servicing rig, 365 days per year.

Financial Position at (stated in thousands)	December 31, 2014	December 31, 2013	December 31, 2012
Working capital	78,336	50,616	77,628
Property and equipment	827,306	783,225	568,157
Total assets	1,057,118	986,792	749,448
Long term debt	264,165	262,877	186,948

Financial Measures Reconciliations

Western uses certain measures in this MD&A which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures which are derived from information reported in the consolidated statements of operations and comprehensive income may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company.

Operating Revenue

Management believes that in addition to revenue, Operating Revenue is a useful supplemental measure as it provides an indication of the revenue generated by Western's principal operating activities, excluding flow through third party charges.

Gross Margin

Management believes that in addition to net income, Gross Margin is a useful supplemental measure as it provides an indication of the results generated by Western's principal operating activities prior to considering administrative expenses, depreciation and amortization, how those activities are financed, the impact of foreign exchange, how the results are taxed, how funds are invested, and how non-cash items and one-time gains and losses affect results.

The following table provides a reconciliation of revenue under IFRS, as disclosed in the consolidated statements of operations and comprehensive income, to Operating Revenue and Gross Margin:

	Three months ended December 31		Year ended December 31	
(stated in thousands)	**2014**	**2013**	**2014**	**2013**
Operating Revenue				
Drilling	94,877	90,754	350,105	284,469
Production services	34,447	29,275	125,404	69,004
Less: inter-company eliminations	(143)	(198)	(1,389)	(349)
	129,181	**119,831**	**474,120**	**353,124**
Third party charges	10,029	9,882	33,712	26,819
Revenue	**139,210**	**129,713**	**507,832**	**379,943**
Less: operating expenses	(98,524)	(92,901)	(363,603)	(280,980)
Add:				
Depreciation - operating	16,740	15,916	61,991	47,701
Stock based compensation - operating	400	252	1,011	895
Gross Margin	**57,826**	**52,980**	**207,231**	**147,559**

Adjusted EBITDA

Management believes that in addition to net income, earnings before interest and finance costs, taxes, depreciation and amortization, other non-cash items and one-time gains and losses ("Adjusted EBITDA") is a useful supplemental measure as it provides an indication of the results generated by the Company's principal operating activities similar to Gross Margin but also factors in the cash administrative expenses incurred in the period.

Operating Earnings

Management believes that in addition to net income, Operating Earnings is a useful supplemental measure as it provides an indication of the results generated by the Company's principal operating activities similar to Adjusted EBITDA but also factors in the depreciation expense charged in the period.

The following table provides a reconciliation of net income under IFRS, as disclosed in the consolidated statements of operations and comprehensive income, to EBITDA, Adjusted EBITDA and Operating Earnings:

	Three months ended December 31		Year ended December 31	
(stated in thousands)	**2014**	**2013**	**2014**	**2013**
Net income (loss)	(8,164)	15,797	36,450	35,246
Add:				
Finance costs	4,897	5,155	20,782	17,058
Income taxes	5,784	5,302	22,311	13,000
Depreciation - operating	16,740	15,916	61,991	47,701
Depreciation - administrative	444	345	1,776	1,431
EBITDA	19,701	42,515	143,310	114,436
Add:				
Stock based compensation - operating	400	252	1,011	895
Stock based compensation - administrative	1,073	413	2,827	1,596
Impairment loss on property and equipment	7,247	-	7,247	-
Impairment loss on goodwill	22,668	-	22,668	-
Other items	(670)	363	(286)	496
Adjusted EBITDA	50,419	43,543	176,777	117,423
Subtract:				
Depreciation - operating	(16,740)	(15,916)	(61,991)	(47,701)
Depreciation - administrative	(444)	(345)	(1,776)	(1,431)
Operating Earnings	33,235	27,282	113,010	68,291

Overall Performance and Results of Operations

Western is an oilfield service company focused on three core business lines: contract drilling, well servicing and oilfield rental equipment services. Western provides contract drilling services through its division, Horizon Drilling ("Horizon") in Canada, and its wholly owned subsidiary, Stoneham Drilling Corporation ("Stoneham"), in the United States. Subsequent to the acquisition of IROC Energy Services Corp. ("IROC") on April 22, 2013, Western provides well servicing operations in Canada through Western Energy Services Partnership's (the "Partnership") division, Eagle Well Servicing ("Eagle"). Previously, well servicing operations were conducted through Western's division, Matrix Well Servicing ("Matrix"). Western also provides oilfield rental equipment services in Canada through the Partnership's division, Aero Rental Services ("Aero"). Financial and operating results for Eagle and Aero from the date of the acquisition, as well as Matrix, are included in Western's production services segment.

Western currently has a drilling rig fleet of 54 rigs, with an average age of approximately seven years. Western is the sixth largest drilling contractor in Canada with a fleet of 49 rigs operating through Horizon. Additionally, Western has five Efficient Long Reach ("ELR") triple drilling rigs deployed in the United States operating through Stoneham. Western is also the seventh largest well servicing company in Canada with a fleet of 65 rigs operating through Eagle. Western's well servicing rig fleet is one of the newest in the Western Canadian Sedimentary Basin ("WCSB"), with an average age of approximately five years. Western's oilfield equipment rental division, which operates through Aero, provides oilfield rental equipment for frac services, well completions and production work, coil tubing services and drilling.

Commodity prices such as crude oil and natural gas impact the cash flow of Western's customers, which in turn impacts the demand for Western's services. Overall performance of the Company was affected by the volatility of crude oil in the second half of 2014. Crude oil prices were strong in the first six months of 2014, however weakened significantly in the last half of 2014. During the first six months of 2014, light oil such as West Texas Intermediate ("WTI") averaged approximately US$95/bbl, while during the last half of 2014, WTI averaged approximately US$85/bbl and approximately US$73/bbl in the fourth quarter of 2014. From its peak in June 2014 of approximately US$103/bbl to the December 31, 2014 exit price of approximately US$53/bbl, WTI decreased by approximately 49%. Similarly, the price for heavy oil, such as Western Canadian Select ("WCS"), averaged approximately $89/bbl in the first half of 2014, while during the last six months of 2014, WCS averaged approximately $75/bbl and approximately $65/bbl in the fourth quarter of 2014. From its highest price in June 2014 of approximately $95/bbl to approximately $43/bbl at the end of the year, WCS decreased by approximately 55%. On a year over year basis, the average price of WTI decreased by approximately 5% in 2014, while WCS increased by approximately 11% as compared to the prior year. Natural gas prices have marginally improved to average approximately $4/mcf in the fourth quarter of 2014, a 3% increase as compared to the same period in 2013. However, from February

2014 when AECO averaged approximately $7/mcf to the exit price of approximately $3/mcf at December 31, 2014, AECO decreased by approximately 57%. Year over year, the AECO 30-day spot rate increased on average by 44% as heating demand increased in the first quarter due to a cold winter, resulting in decreased storage levels across North America.

Despite the reduction in commodity prices in the last half of the year, strong demand for oilfield services resulted in increased drilling of horizontal wells in both conventional and unconventional resource plays. Horizontal wells in the WCSB, as a percentage of all wells drilled, increased in the year ended December 31, 2014 to 75%, as compared to 70% in the prior year. This has resulted in continued demand in the WCSB for Western's ELR drilling rigs, as industry utilization rates for the year ended December 31, 2014 averaged 44%, which is consistent with the five year average and an improvement over the prior year when industry utilization averaged 40%.

Key operational results for the three months ended December 31, 2014 include:

- Fourth quarter Operating Revenues increased by $9.4 million (or 8%) to $129.2 million in 2014 as compared to $119.8 million in 2013. Contract drilling operating days remained relatively constant year over year as a larger average drilling rig fleet in Canada was offset by lower utilization in Canada and the United States. However, improved day rates in the contract drilling segment in both Canada and the United States in the fourth quarter of 2014, resulted in a $4.2 million increase in Operating Revenues during the period. Additionally, improved utilization and pricing resulted in a $5.2 million increase in Operating Revenues for the production services segment during the period.
- Fourth quarter Adjusted EBITDA totalled $50.4 million in 2014 (39% of Operating Revenue), a $6.9 million (or 16%) increase, as compared to $43.5 million in the fourth quarter of 2013 (36% of Operating Revenue). After normalizing for $2.0 million in one-time personnel costs recorded in the fourth quarter of 2013, Adjusted EBITDA increased by $4.9 million, or 11% as compared to the fourth quarter of 2013. The year over year increase in Adjusted EBITDA is due to the improved daily rates in the contract drilling segment and improved pricing and higher utilization in the production services segment.
- Administrative expenses, excluding depreciation and stock based compensation, in the fourth quarter of 2014 decreased by $2.0 million (or 22%) to $7.4 million (5.7% of Operating Revenue) as compared to $9.4 million in the fourth quarter of 2013 (7.8% of Operating Revenue). Included in the fourth quarter of 2013 administrative expenses is approximately $2.0 million of one-time personnel costs. Normalizing for this one-time cost, administrative expenses remained constant in the fourth quarter of 2014.
- Although actual results were as expected, and have improved year over year, as a result of the declining commodity price environment and the reduced outlook for oilfield services activity and pricing, Western recorded a $22.7 million goodwill impairment loss in its well servicing division, as well as a loss on the decommissioning of a shallow drilling rig, used drilling equipment and oilfield rental equipment totalling $7.2 million.
- Net income decreased by $24.0 million to a net loss of $8.2 million in the fourth quarter of 2014 (a loss of $0.11 per basic common share) as compared to net income of $15.8 million in the same period in 2013 ($0.22 per basic common share). The decrease is mainly attributed to the impairment loss on goodwill of $22.7 million, a decommissioning loss on property and equipment of $7.2 million, an increase in depreciation expense of $0.9 million due to Western's continuing rig build and upgrade program, and an increase of $0.5 million in income tax expense due to an increase in taxable income, partially offset by the $6.9 million increase in Adjusted EBITDA. Normalizing for the $22.7 million goodwill impairment loss, the $7.2 million decommissioning loss on property and equipment in 2014 and the one-time personnel costs in the fourth quarter of 2013, net income increased by 22% in the fourth quarter of 2014.
- Fourth quarter capital expenditures of $31.1 million included $23.6 million of expansion capital, $5.6 million of maintenance capital and $1.9 million for rotational equipment. The majority of the fourth quarter 2014 capital expenditures relate to the contract drilling segment, which incurred $27.4 million of capital expenditures. These expenditures mainly relate to Western's drilling rig build program, which totalled $14.4 million in the period relating to the construction of four drilling rigs, one of which was commissioned during the fourth quarter of 2014. The remaining capital spending in the contract drilling segment related to ancillary drilling equipment. Additionally, $3.6 million was incurred in the production services segment relating to the construction of one slant well servicing rig, as well as well servicing rig upgrades and the purchase of additional oilfield rental equipment.
- On December 15, 2014, Western initiated a normal course issuer bid (the "Bid"), which has been filed with and accepted by the Toronto Stock Exchange. Pursuant to the Bid, Western may purchase for cancellation up to 5,550,000 common shares of the Company. Approximately 23,400 common shares for a total cost of $0.1 million were repurchased in the year ended December 31, 2014.
- On December 18, 2014, Western increased its four year extendible credit facility (the "Revolving Facility") to $175.0 million from $125.0 million previously, with a maturity date extension to December 17, 2018 and increased Western's operating demand revolving loan (the "Operating Facility") to $20.0 million from $10.0 million previously.

Key operational results for the year ended December 31, 2014 include:

- Operating Revenue for 2014 increased by $121.0 million (or 34%) to $474.1 million as compared to $353.1 million in the same period of the prior year. The increase is due to higher utilization and improved day rates, coupled with a larger average drilling rig fleet in the contract drilling segment, a full year's contribution from the production services segment following the acquisition of IROC, as well as higher utilization and improved pricing in the production services segment.
- Adjusted EBITDA increased by $59.4 million (or 51%) to $176.8 million (37% of Operating Revenue) in 2014, as compared to $117.4 million (33% of Operating Revenue) in 2013. The increase in Adjusted EBITDA reflects increased activity and improved pricing, coupled with effective cost control in all divisions, as well as the larger drilling rig fleet and the increased size and scale of Western's production services segment.
- During 2014, administrative expenses, excluding depreciation and stock based compensation, increased marginally by $0.3 million to $30.4 million (6.4% of Operating Revenue), as compared to $30.1 million (8.5% of Operating Revenue) in the same period of the prior year. Normalizing for approximately $2.0 million in one-time personnel costs recorded in 2013, administrative expenses in 2014 have increased by approximately $2.3 million (or 8%) due to a full year of operations following the acquisition of IROC, as well as increased employee related costs. As a percentage of Operating Revenue, administrative expenses have decreased as Western has been able to effectively control costs while increasing the size and scale of the Company's operations.
- For the year ended December 31, 2014, net income increased by $1.2 million (or 3%) to $36.4 million ($0.49 per basic common share) as compared to $35.2 million ($0.51 per basic common share) in 2013. The increase is mainly attributed to the $59.4 million increase in Adjusted EBITDA, offset by a goodwill impairment of $22.7 million, an increase of $14.7 million in depreciation expense due to increased activity, an increase of $9.3 million in income tax expense due to the increase in taxable income, $7.2 million related to decommissioning losses on property and equipment, an increase of $3.7 million in finance costs due to the additional $90.0 million in senior notes issued in September of 2013, and increases in stock based compensation and other items totalling $0.6 million.
- Total capital expenditures of $108.6 million in 2014 include $85.2 million of expansion capital, $14.8 million of maintenance capital and $8.6 million for rotational equipment. The majority of capital expenditures in 2014 relate to the contract drilling segment, which incurred $94.6 million in capital expenditures. These expenditures mainly relate to Western's drilling rig build program, which totalled $60.5 million in 2014, which in addition to the three drilling rigs under construction at year end, commissioned an additional three drilling rigs in Canada in 2014 and completed two 1,500 hp AC pad conversions in the United States in the second quarter of 2014. The remaining capital spending in the contract drilling segment related to ancillary drilling equipment. Additionally, $13.7 million was incurred in the production services segment mainly relating to the construction of one slant well servicing rig, as well as well servicing rig upgrades and the purchase of additional oilfield rental equipment.

Subsequent Event

On February 26, 2015, the Board of Directors of Western declared a quarterly dividend of $0.075 per share, payable on April 16, 2015 to shareholders of record at the close of business on March 31, 2015. On a prospective basis, the declaration of dividends will be determined on a quarter-by-quarter basis by the Board of Directors.

Outlook

Western's drilling rig fleet is specifically suited for drilling horizontal wells of increased complexity. In total, 96% of Western's fleet are ELR drilling rigs with depth ratings greater than 3,000 meters and all of Western's rigs are capable of drilling resource based horizontal wells. Currently, 12 of Western's 54 drilling rigs (or 22%) are operating under long term take-or-pay contracts, with 5 of these contracts committed into 2016 and 2017, providing a base level of future revenue. These contracts typically generate 250 operating days per year in Canada, as spring breakup restricts activity during the second quarter, while in the United States these contracts typically range from 330 to 365 revenue generating days per year.

Western's revised capital budget for 2015 totals approximately $46 million comprised of $21 million of carry forward capital from 2014, $6 million in expansion capital and $19 million in maintenance capital. The revised capital budget reflects a net decrease of $18 million from Western's previously announced budget of $64 million. The following table summarizes the changes in the 2015 capital budget:

Capital Expenditures (stated in millions)	**Original 2015 Budget**	**Cancellations**	**Increased 2014 Carry Forward**	**Revised 2015 Budget**	**Variance**
Expansion	6	-	-	6	-
Maintenance	36	(17)	-	19	(17)
Carry forward	22	(4)	3	21	(1)
Total Capital Expenditures	**64**	**(21)**	**3**	**46**	**(18)**

Revised carry forward capital of $21 million relates to the completion of two 5,000m telescopic ELR double drilling rigs, one 6,000m ELR AC triple pad drilling rig and one slant well servicing rig. Expansion capital of $6 million relates to additional oilfield rental equipment, while maintenance capital of $19 million includes $13 million for the contract drilling segment and $6 million for the production services segment. Included in the maintenance capital budget is $1 million related to rotational equipment. In addition, the majority of the capital budget has been deferred until the second half of 2015 and will be further postponed or cancelled if market conditions continue to deteriorate. Western believes the 2015 capital budget provides a prudent use of cash resources and ensures that it continues to maintain its balance sheet flexibility allowing for the execution on strategic opportunities as they arise, or alternatively adjust downward if the downturn in oilfield service activity is prolonged. This budget demonstrates the Company's commitment to maintaining its drilling and well servicing rig fleets while expanding Western's strategic presence in the oilfield rental equipment market. Western will continue to evaluate and expand its operations in a disciplined manner and make any required adjustments to its capital program as customer demand improves.

The continued pressure on crude oil and natural gas prices, which are currently near five year lows, has resulted in reductions to the capital spending plans for the majority of our customers. In some cases, the capital spending reductions have been significant. While activity in the first two months of 2015 has been constant, although lower than in the same period of the prior year, Western currently expects an early end to first quarter activity, due to the current commodity price environment. Activity levels throughout the oilfield services industry for the remainder of 2015 are expected to be significantly lower as compared to 2014, resulting in utilization and price reductions across all of Western's business lines. Lower activity and pricing pressure, will impact Western's Adjusted EBITDA and cash flow from operating activities. Western's variable cost structure, under which approximately 80% of operating and administrative costs are variable, and prudent capital budget will aid in preserving balance sheet strength. At December 31, 2014, Western's net debt to trailing 12 month EBITDA ratio was 1.1. In addition to $62.7 million in cash and cash equivalents at December 31, 2014, Western has $175 million available on the Revolving Facility, which does not mature until December 17, 2018, $20 million available on the Operating Facility, and no principle repayments are due on the $265 million Senior Notes until they mature on January 30, 2019. As such, Western is well positioned to manage the current slowdown in activity and maintain a sustainable dividend.

Oilfield service activity will be impacted by the development of resource plays in Alberta and northeast British Columbia including those related to liquefied natural gas projects, increased crude oil transportation capacity through rail and pipeline development and foreign investment into Canada. Currently, the largest challenges facing the oilfield service industry are producer spending constraints as a result of lower commodity prices, pricing differentials on Canadian crude oil, and the challenge to attract and retain skilled labour. The Company believes Western's modern drilling and well servicing rig fleet, above industry average utilization, and corporate culture will provide a distinct advantage in retaining and attracting qualified individuals. Western's view is that its modern fleet, strong customer base and solid reputation provide a competitive advantage which will enable the Company to continue its growth strategy and higher than industry average utilization.

Segmented Information

Western operates in the contract drilling segment in both Canada and the United States as well as the production services segment in Canada. Contract drilling includes drilling rigs along with related equipment. Production services includes well servicing rigs and related equipment as well as oilfield rental equipment.

Contract Drilling

(stated in thousands)	Three months ended December 31 2014	2013	Year ended December 31 2014	2013
Revenue				
Operating Revenue[1]	94,877	90,754	350,105	284,469
Third party charges	7,898	7,973	26,502	23,553
Total revenue	102,775	98,727	376,607	308,022
Expenses				
Operating				
Cash operating expenses	58,031	55,586	216,065	182,800
Depreciation	12,745	11,533	46,712	37,778
Stock based compensation	203	173	587	687
Total operating expenses	70,979	67,292	263,364	221,265
Administrative				
Cash administrative expenses	3,896	3,573	17,314	16,059
Depreciation	58	65	238	328
Stock based compensation	85	108	362	278
Total administrative expenses	4,039	3,746	17,914	16,665
Gross Margin[1]	44,744	43,141	160,542	125,222
Gross Margin as a percentage of Operating Revenue	47%	48%	46%	44%
Adjusted EBITDA[1]	40,848	39,568	143,228	109,163
Adjusted EBITDA as a percentage of Operating Revenue	43%	44%	41%	38%
Operating Earnings[1]	28,045	27,970	96,278	71,057
Capital expenditures	27,366	24,452	94,647	86,525
Canadian Operations				
Contract drilling rig fleet:				
Average	50	46	49	45
End of period	49	47	49	47
Operating Revenue per revenue day[2]	27,104	26,060	26,178	24,829
Operating Revenue per operating day[3]	29,710	28,884	28,699	27,513
Drilling rig operating days[4]	2,724	2,754	10,478	9,098
Number of meters drilled	503,189	506,950	2,041,842	1,844,099
Number of wells drilled	133	150	606	543
Average operating days per well	20.5	18.3	17.3	16.8
Drilling rig utilization rate per revenue day[5]	65%	72%	64%	61%
Drilling rig utilization rate per operating day[6]	59%	65%	58%	55%
CAODC industry average utilization rate[6]	45%	43%	44%	40%
United States Operations				
Contract drilling rig fleet:				
Average	5	5	5	5
End of period	5	5	5	5
Operating Revenue per revenue day (US$)[2]	28,309	23,457	26,124	22,507
Operating Revenue per operating day (US$)[3]	31,876	26,559	29,680	26,942
Drilling rig operating days[4]	385	402	1,506	1,228
Number of meters drilled	102,290	94,784	360,105	268,964
Number of wells drilled	18	17	65	47
Average operating days per well	21.4	24.4	23.2	26.0
Drilling rig utilization rate per revenue day[5]	95%	99%	94%	81%
Drilling rig utilization rate per operating day[6]	85%	87%	83%	67%

(1) See "Financial Measures Reconciliations" on page 2 of this MD&A.
(2) Operating Revenue per revenue day is calculated using Operating Revenue divided by operating days and mobilization days.
(3) Operating Revenue per operating day is calculated using Operating Revenue divided by operating days.
(4) Drilling rig operating days are calculated on a spud to rig release basis.
(5) Utilization rate per revenue day is calculated based on operating and mobilization days divided by total available days.
(6) Utilization rate per operating day is calculated on operating days only (i.e. spud to rig release basis) divided by total available days.

For the year ended December 31, 2014, Operating Revenues in the contract drilling segment totalled $350.1 million, a $65.6 million (or 23%) increase, as compared to the year ended December 31, 2013. An increased average drilling rig fleet in Canada of 49 rigs for 2014, compared to 45 in the prior year, and increased demand for the Company's contract drilling services in both Canada and the United States, coupled with improved pricing, resulted in increased Operating Revenue in 2014, as compared to 2013.

During the year ended December 31, 2014, utilization per operating day in Canada increased to 58% from 55% in 2013. The larger fleet and improved utilization resulted in an increase of approximately 15% in the Company's operating days to 10,478 days in 2014, compared to 9,098 days in 2013. The Company's utilization per operating day in Canada of 58% in 2014 reflects an approximate 1,400 bps premium to the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 44%, as compared to the 1,500 bps premium realized in the prior year. The Company's utilization premium, as compared to the CAODC industry average, is attributed to the Company's customer base which includes a high proportion of large independent and major exploration and production companies that are more likely to drill through cycles and have a long term focus, coupled with Western's continued investment in its ELR fleet, which enhances the marketability of its rigs.

For the year ended December 31, 2014, Operating Revenue per revenue day in Canada totalled $26,178 compared to $24,829 in the prior year, a 5% increase attributable to a change in rig mix weighted to the deeper drilling rigs in Western's fleet and increased rental revenue. Third party charges per revenue day remained constant in 2014 as compared to 2013 at approximately $2,200 per revenue day.

In the United States in 2014, operating days increased by 278 days (or 23%). Similarly, utilization per operating day in 2014 increased to 83% compared to 67% in the same period in the prior year, mainly due to fewer down days. With the exception of downtime on two rigs for the completion of 1,500 hp AC pad conversions in the first half of 2014, the fleet in the United States was essentially fully utilized in 2014.

For the year ended December 31, 2014, Operating Revenues per revenue day in the United States increased by 16% to US$26,124, as day rates on Western's upgraded rig fleet have improved and as mobilization days as a percentage of total revenue days have decreased as the Company transitions to walking pad rigs.

During 2014, Adjusted EBITDA in the contract drilling segment increased by $34.0 million (or 31%) to $143.2 million (41% of the segment's Operating Revenue), as compared to $109.2 million (38% of the segment's Operating Revenue) in 2013, due to the increase in operating days and improved day rates in both Canada and the United States. Additionally, effective cost control contributed to an increase in Adjusted EBITDA as operating costs per revenue day have increased marginally by 4% mainly due to the CAODC wage increases in the fourth quarter of 2014 and 2013, and the Company's increased pad drilling which is more intense and continuous in nature and requires larger crew configurations, coupled with increased repairs and maintenance costs in 2014.

For the year ended December 31, 2014, cash administrative expenses, excluding depreciation and stock based compensation, increased 7% to $17.3 million, compared to $16.1 million in the prior year, mainly due to higher employee related expenses.

Depreciation expense in the contract drilling segment for the year ended December 31, 2014 increased by $8.8 million to $46.9 million due to increased activity and an increase in ancillary equipment which is depreciated on a straight-line basis.

As at December 31, 2014, Western reviewed its property and equipment based on the marketability of its tangible assets. For the year ended December 31, 2014, Western recognized a loss of approximately $7.0 million in the contract drilling segment on the decommissioning of a shallow drilling rig, as well as certain used equipment that is no longer in use.

Capital expenditures totalled $94.6 million in 2014 in the contract drilling segment and includes $75.2 million related to expansion capital, $11.4 million related to maintenance capital and $8.0 million related to rotational equipment. Of the expansion capital incurred in 2014, $60.5 million relates to the Company's rig build program, which in addition to the three drilling rigs under construction at year end, commissioned an additional three drilling rigs in Canada in 2014 and completed two 1,500 hp AC pad conversions in the United States in the second quarter of 2014. Western's drilling rig count in Canada increased to 49 rigs at the end of 2014 as the three drilling rigs commissioned in the year were offset by one drilling rig which was decommissioned on December 31, 2014.

Production Services

(stated in thousands)	Three months ended December 31 2014	2013	Year ended December 31 2014	2013
Revenue				
Operating Revenue[(1)]	34,447	29,275	125,404	69,004
Third party charges	2,131	1,909	7,210	3,266
Total revenue	36,578	31,184	132,614	72,270
Expenses				
Operating				
Cash operating expenses	23,496	21,346	85,925	49,934
Depreciation	3,995	4,383	15,279	9,923
Stock based compensation	197	79	424	208
Total operating expenses	27,688	25,808	101,628	60,065
Administrative				
Cash administrative expenses	1,839	1,876	7,710	5,875
Depreciation	114	-	425	-
Stock based compensation	104	126	398	182
Total administrative expenses	2,057	2,002	8,533	6,057
Gross Margin[(1)]	13,082	9,838	46,689	22,336
Gross margin as a percentage of Operating Revenue	38%	34%	37%	32%
Adjusted EBITDA[(1)]	11,243	7,962	38,979	16,461
Adjusted EBITDA as a percentage of Operating Revenue	33%	27%	31%	24%
Operating Earnings[(1)]	7,134	3,579	23,275	6,538
Capital expenditures	3,616	2,948	13,707	8,200
Well servicing rig fleet:				
Average	65	65	65	48
End of period	65	65	65	65
Operating Revenue per service hour[(2)]	837	804	817	766
Total service hours	34,456	31,403	127,768	77,879
Service rig utilization rate[(3)]	58%	53%	54%	45%

(1) See "Financial Measures Reconciliations" on page 2 of this MD&A.

(2) Operating Revenue per service hour is calculated using Operating Revenue divided by service hours.

(3) Utilization rate is calculated based on actual well servicing hours divided by available hours, being 10 hours per day, per well servicing rig, 365 days per year.

Subsequent to the acquisition of IROC on April 22, 2013, the Company's well servicing fleet increased significantly to 65 rigs as at December 31, 2014, as compared to 10 rigs immediately prior to the acquisition. Additionally, with the acquisition of IROC, Western acquired approximately $35 million in oilfield rental equipment, which is operated through Aero. Operating Revenue increased significantly for the year ended December 31, 2014 to $125.4 million, compared to $69.0 million in the year ended December 31, 2013 due to a full period's contribution from the assets acquired in the acquisition of IROC, coupled with improved utilization and hourly rates. For the year ended December 31, 2014, Aero's contribution to Operating Revenue in the production services segment totalled $21.0 million, compared to $9.3 million in 2013 due to improved demand, continued investment in oilfield rental equipment and a full period's contribution from Aero's assets following the acquisition of IROC.

During the year ended December 31, 2014, as a result of the increased well servicing rig fleet subsequent to the acquisition of IROC and improved utilization of 54% in 2014 compared to 45% in 2013, well servicing hours increased to 127,768 compared to 77,879 in the prior year, a 64% increase. Eagle is the seventh largest well servicing company in Canada based on rig fleet size, while comparatively having worked the fourth most service rig hours in the industry in 2014. Additionally, Operating Revenue per service hour increased 7% in 2014 to $817 compared to $766 in the prior year. The increase in Operating Revenue per service hour is attributed to the increased size of the Company's well servicing operations as Eagle operates single, double and slant well servicing rigs in a number of different geographic locations, whereas prior to the IROC acquisition, the Company operated a fleet of single well servicing rigs in the Lloydminster area which is highly competitive, less capital intensive and typically results in lower hourly rates. Additionally, service hour rates have improved due to an increase in steam assisted gravity drainage ("SAGD") work, which on average commands higher hourly rates due to the complexity of the work.

Adjusted EBITDA increased to $39.0 million (31% of the segment's Operating Revenue) during the year ended December 31, 2014 from $16.5 million (24% of the segment's Operating Revenue) in 2013. The increase in Adjusted EBITDA in 2014 is attributed to improved utilization and hourly rates, a full period of operations for Eagle and Aero in 2014, compared to a partial period subsequent to the IROC acquisition in April of 2013, as well as effective cost control in the period.

During the year ended December 31, 2014, cash administrative expenses, excluding depreciation and stock based compensation, increased 31% to $7.7 million due a full year of operations for Eagle and Aero in Western's production services segment following the acquisition of IROC in 2013.

In 2014, depreciation expense increased significantly by 58% to $15.7 million mainly due to higher utilization and a full period of operations from the assets acquired in the IROC acquisition, compared to the partial period in 2013.

As a result of the declining commodity price environment and the reduced outlook for oilfield services activity and pricing, Western recorded a $22.7 million goodwill impairment loss in 2014 in its well servicing division, representing the full amount of goodwill allocated to the division. Additionally, a $0.2 million derecognition loss on certain underutilized oilfield rental equipment was recognized in the period.

During the year ended December 31, 2014, capital expenditures in the production services segment totalled $13.7 million and mainly relate to expansion capital associated with the construction of one slant well servicing rig, as well as well servicing rig upgrades and the purchase of additional oilfield rental equipment.

Corporate

	Three months ended December 31		Year ended December 31	
(stated in thousands)	**2014**	**2013**	**2014**	**2013**
Administrative				
Cash administrative expenses	1,672	3,987	5,430	8,201
Depreciation	272	280	1,113	1,103
Stock based compensation	884	179	2,067	1,136
Total administrative expenses	2,828	4,446	8,610	10,440
Finance costs	4,897	5,155	20,782	17,058
Other items	(670)	363	(286)	496
Income taxes				
Current tax expense	3,670	231	9,457	520
Deferred tax expense	2,114	5,071	12,853	12,480
Total income taxes	5,784	5,302	22,310	13,000
Capital expenditures	89	129	250	509

Corporate administrative expenses for the year ended December 31, 2014 decreased by $2.8 million to $5.4 million, a 34% decrease. The decrease from the prior year is mainly due to approximately $2.0 million in one-time personnel costs recorded in 2013. Normalizing for these one-time costs, administrative expenses decreased by $0.8 million, mainly due to effective cost control during the period.

For the year ended December 31, 2014, finance costs on a consolidated basis, increased by $3.7 million as compared to the prior year. The increase is mainly due to the higher debt levels following the acquisition of IROC and the resulting issuance of $90.0 million in principal amount of the 7⅞% senior notes on September 18, 2013. The Company had an effective interest rate of 8.0% on its borrowings in 2014 as compared to 7.4% in 2013.

Other items for the year ended December 31, 2014 mainly consist of foreign exchange and asset sale gains and losses.

For the year ended December 31, 2014, income taxes, on a consolidated basis, totalled $22.3 million representing an effective tax rate of 38.0%, as compared to 26.9% in 2013. Normalizing for the goodwill impairment of $22.7 million, Western's effective tax rate was 27.4%. The increase in the normalized effective tax rate in 2014 is due to increased taxable income earned in the United States in 2014, which has higher corporate tax rates.

Liquidity and Capital Resources

The Company's liquidity needs in the short term and long term can be sourced in several ways including: funds from operations, borrowing against existing credit facilities, new debt instruments, equity issuances and proceeds from the sale of assets. As at December 31, 2014, Western had cash and cash equivalents of $62.7 million, an increase of $45.3 million from December 31, 2013. As a result, Western's consolidated net debt balance at December 31, 2014 was $202.6 million, a decrease of $43.8 million as compared to December 31, 2013. During the year ended December 31, 2014, Western had Adjusted EBITDA of $176.8 million and raised $9.7 million on the exercise of stock options and warrants. These cash inflows were offset by capital expenditures of $108.6 million, dividend payments of $22.3 million, cash interest payments of $19.1 million, and income tax payments of $0.8 million.

As at December 31, 2014, Western had a working capital balance of $78.3 million, a $27.7 million increase as compared to December 31, 2013, mainly due to increased activity. On December 18, 2014, Western increased its four year extendible Revolving Facility to $175.0 million from $125.0 million previously, with a maturity date extension to December 17, 2018 and increased Western's Operating Facility to $20.0 million from $10.0 million previously. As at December 31, 2014, the Company has $265.0 million in senior notes outstanding, $195.0 million in available credit facilities and is in compliance with all debt covenants. Currently, Western's net debt to trailing 12 month Adjusted EBITDA is 1.1 with no scheduled long term debt repayments until January 2019. As such, cash from operations coupled with Western's working capital, cash balances and available credit facilities are expected to be sufficient to cover Western's financial obligations including the revised 2015 capital budget.

For the years ended December 31, 2014 and 2013, the Company had one significant customer comprising 13.1% and 10.8% respectively, of the Company's total revenue. The increase in this customer's percentage of total revenue in 2014 is attributed to a full year of contribution from the production services segment following the acquisition of IROC in 2013. The trade receivable balance relating to this customer as at December 31, 2014 represented 9.8% of the Company's total trade and other receivables. This customer is a publicly traded company with a market capitalization in excess of $35 billion as at December 31, 2014. The Company's significant customers may change quarter to quarter.

Fourth Quarter 2014

Selected Financial Information

Financial Highlights	**Three months ended December 31**	
(stated in thousands, except share and per share amounts)	**2014**	**2013**
Total Revenue	139,210	129,713
Operating Revenue	129,181	119,831
Gross Margin(1)	57,826	52,980
Gross Margin as a percentage of operating revenue	45%	44%
EBITDA(1)	50,419	43,543
EBITDA as a percentage of operating revenue	39%	36%
Cash flow from operating activities	47,830	36,866
Capital expenditures	31,071	27,529
Net income (loss)	(8,164)	15,797
-basic net income (loss) per share	(0.11)	0.22
-diluted net income (loss) per share	(0.11)	0.21
Weighted average number of shares		
-basic	74,882,690	73,374,219
-diluted	74,927,714	73,654,868
Outstanding common shares as at period end	74,866,028	73,386,191
Dividends declared	5,614	5,504
Dividends declared per common share	0.075	0.075

Operating Highlights		
Contract Drilling		
Canadian Operations		
Average contract drilling rig fleet	50	46
Contract drilling rig fleet - end of period	49	47
Operating revenue per revenue day (CDN$)(2)	27,104	26,060
Operating revenue per operating day (CDN$)(3)	29,710	28,884
Drilling rig operating days(4)	2,724	2,754
Number of meters drilled	503,189	506,950
Number of wells drilled	133	150
Average operating days per well	20.5	18.3
Drilling rig utilization rate per revenue day(5)	65%	72%
Drilling rig utilization rate per operating day(6)	59%	65%
CAODC industry average utilization rate(6)	45%	43%
United States Operations		
Average contract drilling rig fleet	5	5
Contract drilling rig fleet - end of period	5	5
Operating revenue per revenue day (US$)(2)	28,309	23,457
Operating revenue per operating day (US$)(3)	31,876	26,559
Drilling rig operating days(4)	385	402
Number of meters drilled	102,290	94,784
Number of wells drilled	18	17
Average operating days per well	21.4	24.4
Drilling rig utilization rate per revenue day(5)	95%	99%
Drilling rig utilization rate per operating day(6)	85%	87%
Production Services		
Average well servicing rig fleet	65	65
Well servicing rig fleet - end of period	65	65
Operating revenue per service hour (CDN$)(3)	837	804
Total service hours	34,456	31,403
Service rig utilization rate(7)	58%	53%

(1) See Financial Measures Reconciliations on page 2.
(2) Operating Revenue per revenue day is calculated using Operating Revenue divided by operating days and mobilization days.
(3) Operating Revenue per operating day and per service hour are calculated using Operating Revenue divided by operating days and service hours, respectively.
(4) Drilling rig operating days are calculated on a spud to rig release basis.
(5) Drilling rig utilization rate per revenue day is calculated based on operating and move days.
(6) Drilling rig utilization rate per operating day is calculated on operating days only (i.e. spud to rig release basis) divided by total available days.
(7) Utilization rate is calculated based on actual well servicing hours divided by available hours, being 10 hours per day, per well servicing rig, 365 days per year.

Consolidated

Operating Revenue increased by $9.4 million (or 8%) to $129.2 million in the fourth quarter of 2014 compared to $119.8 million in the same period of the prior year. The increase in Operating Revenue can be attributed to the improved day rates in the contract drilling segment in Canada and the United States, as well as improved pricing and utilization in the production services segment.

Adjusted EBITDA increased by $6.9 million (or 16%) in the fourth quarter of 2014 to $50.4 million as compared to $43.5 million in the fourth quarter of 2013. Included in EBITDA in the fourth quarter of 2013 is approximately $2.0 million in one-time personnel costs. Normalizing for this item, EBITDA increased $4.9 million (or 11%) in the fourth quarter of 2014 compared to the fourth quarter of 2013. The increase in EBITDA can mainly be attributed to improved day rates in the contract drilling segment, coupled with increased utilization and pricing in the production services segment.

Contract Drilling

During the fourth quarter of 2014, Operating Revenues in the contract drilling segment totalled $94.9 million, a $4.2 million (or 5%) increase as compared to the fourth quarter of 2013, due to improved day rates in both Canada and the United States as lower utilization was partially offset by an increased average drilling rig fleet resulting in operating days decreasing by 1% and 4% in Canada and the United States, respectively.

In Canada, Operating Revenue per revenue day improved 4% to $27,104 in the fourth quarter of 2014, compared to $26,060 in the fourth quarter of 2013 as a result of changes in the Company's rig mix. The deteriorating economic conditions in the fourth quarter of 2014, resulted in shallow winter drilling programs being the first to be cut by the Company's customers, resulting in lower utilization for Western's shallow drilling rigs which typically work at lower day rates. Canadian operations in the fourth quarter of 2014 were impacted by decreased activity, as customers began adjusting to the decline in the commodity price environment for crude oil and natural gas. The Company's utilization per operating day in Canada decreased to 59% in the fourth quarter of 2014, as compared to 65% in the fourth quarter of 2013, however operating days remained consistent at approximately 2,700 in both periods due to the larger drilling rig fleet. The Company's fourth quarter utilization rate reflects an approximate 1,400 bps premium to the CAODC industry average of 45%, as compared to the fourth quarter of 2013 premium of 2,200 bps to the CAODC industry average of 43%. The decrease in the Company's premium to the CAODC industry average is due to lower activity associated with Western's shallow drilling rigs in the quarter, as well as increased competition in the industry resulting from continual industry fleet upgrades and the decommissioning of underutilized drilling rigs throughout the industry.

In the United States, Operating Revenue per revenue day increased approximately 21% to US$28,309 in the fourth quarter of 2014 from US$23,457 in the same period in the prior year. This increase is attributable to higher day rates on the drilling rigs Western has upgraded in the past 12 months. The United States fleet was fully utilized for much of the fourth quarter of 2014 with utilization per operating day averaging 85% in the fourth quarter of 2014, compared to 87% in the fourth quarter of 2013. On a revenue day basis, utilization averaging 95% in the fourth quarter of 2014, as compared to 99% in the fourth quarter of 2013.

During the fourth quarter of 2014, Adjusted EBITDA in the contract drilling segment increased by $1.2 million (or 3%) to $40.8 million (43% of the segment's Operating Revenue), as compared to $39.6 million (44% of the segment's Operating Revenue) in the fourth quarter of 2013. The increase in Adjusted EBITDA is attributed to the improved day rates in Canada and the United States. Partially offsetting the increase in Operating Revenue is an approximate $1,100 increase in operating expenses per revenue day, mainly due to the CAODC wage increase in the fourth quarter of 2014 accounting for an increase of approximately $225 per revenue day, increased one-time repair and maintenance costs incurred during the period of approximately $300 per revenue day, lower capitalized overhead of approximately $300 per revenue day and the impact of the weaker Canadian dollar on translating Stoneham's operating expenses for consolidation purposes, accounting for an increase of approximately $150 per revenue day. A portion of the incremental repair and maintenance costs incurred in the fourth quarter of 2014 relate to preparing a drilling rig for a committed contract. Additionally, gross cash administrative expenses have increased marginally in the fourth quarter of 2014 to $3.9 million as compared to $3.6 million the same period in the prior year, due to increased employee related costs.

As at December 31, 2014, Western reviewed its property and equipment based on the marketability of its tangible assets. For the quarter ended December 31, 2014, Western recognized a loss of approximately $7.0 million in the contract drilling segment related to the decommissioning of a shallow drilling rig, as well as certain used equipment that is no longer in use.

Total capital expenditures of $27.4 million in the contract drilling segment for the fourth quarter of 2014 includes $21.4 million related to expansion capital, $4.2 million related to maintenance capital and $1.8 million related to rotational equipment. Of the expansion capital incurred during the fourth quarter of 2014, $14.4 million relates to the Company's rig build program incurred on the construction of four drilling rigs, one of which was commissioned in the fourth quarter, with the remaining capital spending relating to ancillary drilling equipment.

Production Services

During the fourth quarter of 2014, Operating Revenue totalled $34.4 million as compared to $29.3 million in the fourth quarter of 2013, a 17% increase. The increase in Operating Revenue can be attributed to improved utilization and hourly rates, as well as improved demand and continued investment in oilfield rental equipment. For the fourth quarter of 2014, Aero's contribution to Operating Revenue in the production services segment increased by $1.6 million to $5.6 million, as compared to $4.0 million in the fourth quarter of 2013.

Total service hours in the fourth quarter of 2014 increased by 10% to 34,456 compared to 31,403 in the fourth quarter of 2013, resulting in utilization in the period of 58% compared to 53% in the same period of the prior year. The improved utilization is partially attributed to Eagle's increased focus on SAGD work in the oil sands in northern Alberta. During the fourth quarter of 2014, Eagle had six well servicing rigs working in this area which realized utilization of 73%, as compared to the same period of the prior year when Eagle had one rig working in this area. Additionally, activity in most of Eagle's operating areas improved year over year, with the exception of Red Deer, Alberta due to unfavourable weather conditions and in southeast Saskatchewan due to reduced demand.

For the fourth quarter of 2014, Operating Revenue per service hour also increased by 4% to $837 compared to $804 in the same period in the prior year. The increase in Operating Revenue per service hour is attributed to wage increases in the fourth quarter passed through to our customers, coupled with higher rates on rigs completing SAGD work.

Adjusted EBITDA increased in the fourth quarter of 2014 to $11.2 million (33% of the segment's Operating Revenue), which is an improvement from $8.0 million (27% of the segment's Operating Revenue) in the fourth quarter of 2013 mainly due to improved utilization and hourly rates.

Cash administrative expenses, excluding depreciation and stock based compensation, remained unchanged at $1.8 million in the fourth quarter of 2014, as compared to the fourth quarter of 2013, mainly due to effective cost control in the period.

Depreciation expense in the production services segment for the fourth quarter of 2014 remained constant at approximately $4.1 million during the period as compared to $4.4 million in the same period in the prior year.

As a result of the declining commodity price environment and the reduced outlook for oilfield services activity and pricing, Western recorded a $22.7 million goodwill impairment loss in the fourth quarter of 2014 in its well servicing segment, representing the full amount of goodwill previously allocated to the segment. Additionally, a $0.2 million derecognition loss on certain underutilized oilfield rental equipment was recognized in the fourth quarter of 2014.

Corporate

During the fourth quarter of 2014, corporate administrative expenses, excluding depreciation and stock based compensation, decreased $2.3 million to $1.7 million as compared to $4.0 million in the fourth quarter of 2013. The decrease is mainly attributed to one-time personnel costs of $2.0 million incurred in the fourth quarter of 2013. Normalizing for these one-time costs in the prior year, corporate administrative expenses decreased by $0.3 million in the fourth quarter of 2014, mainly due to effective cost control in the period.

Finance costs in the fourth quarter of 2014 remained consistent, decreasing marginally by $0.3 million to $4.9 million as compared to $5.2 million in the same period of the prior year, mainly due to increased interest income on Western's cash and cash equivalents balances.

For the fourth quarter of 2014 and 2013, income taxes totalled $5.8 million and $5.3 million respectively. Normalizing for the goodwill impairment of $22.7 million in 2014, Western's effective tax rate was 28.5% in the fourth quarter of 2014 as compared to 25.1% in the fourth quarter of 2013. The increase in the effective tax rate is due to the relative increase in taxable income earned in the United States in the fourth quarter of 2014, which has higher corporate tax rates.

Summary of Quarterly Results

In addition to other market factors, quarterly results of Western are markedly affected by weather patterns throughout its operating areas. Historically, the first quarter of the calendar year is very active, followed by a much slower second quarter due to what is known in the Canadian oilfield service industry as "spring breakup". As a result of this, the variation of Western's results on a quarterly basis, particularly in the first and second quarters, can be significant quarter over quarter independent of other demand factors. The following is a summary of selected financial information of the Company for the last eight completed quarters.

Three months ended	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
(stated in thousands, except per share amounts)								
Revenue	139,210	125,225	81,981	161,416	129,713	101,389	50,835	98,006
Operating Revenue(1)	129,181	117,960	77,352	149,627	119,831	96,473	48,010	88,810
Gross Margin(1)	57,826	50,570	31,206	67,629	52,980	37,547	16,087	40,945
Adjusted EBITDA(1)	50,419	42,782	24,028	59,548	43,543	30,297	9,199	34,384
Cash flow from operating activities	47,830	22,975	71,912	38,634	36,866	6,667	48,381	22,444
Net income (loss)	(8,164)	14,718	4,396	25,500	15,797	7,927	(3,381)	14,903
per share - basic	(0.11)	0.20	0.06	0.35	0.22	0.11	(0.05)	0.25
per share - diluted	(0.11)	0.19	0.06	0.34	0.21	0.11	(0.05)	0.24
Total assets	1,057,118	1,040,973	1,016,112	1,019,192	986,792	947,836	903,882	748,112
Long term debt	264,165	263,624	263,293	263,119	262,877	263,050	232,529	182,068
Dividends declared	5,614	5,615	5,609	5,538	5,504	5,502	5,501	4,474

(1) See "Financial Measures Reconciliations" on page 2 of this MD&A.

With the exception of lower activity in the second quarters of 2013 and 2014, due to the cyclical nature of the oilfield service industry, revenues have increased significantly due to the acquisition of IROC, the Company's capital spending program, and increased activity in both the contract drilling and production services segments.

Adjusted EBITDA has followed a similar trend to revenue, steadily increasing after spring breakup in the second quarters through the third and fourth quarters and into the first quarter. Adjusted EBITDA is generally highest in the first quarter when activity is the highest. Adjusted EBITDA has shown continuous improvement from the third quarter of 2013 through to the first quarter of 2014, while being impacted by spring breakup in Canada in the second quarter of 2014. However, Adjusted EBITDA was impacted by spring breakup to a much lesser extent in the second quarter of 2014 than in past second quarters, due to favourable weather conditions, increased pad drilling, improved commodity prices, and a weaker Canadian dollar leading to more customers drilling through spring breakup.

Net income has fluctuated throughout the last eight quarters due to the cyclical nature of the oilfield service industry and has been impacted by higher depreciation rates and increased finance costs.

Total assets of the Company have increased throughout the last eight quarters due to the Company's capital spending program. During the second quarter of 2013, the significant increase in the Company's total assets was due to the acquisition of IROC.

Goodwill

Goodwill represents the excess, at the date of acquisition, of the purchase price of a business acquisition over the fair value of the net tangible and intangible assets acquired. A continuity of Western's goodwill balance as at December 31, 2014 and 2013 is as follows:

(stated in thousands)	Amount
December 31, 2012	$ 55,527
Addition: IROC acquisition	33,183
December 31, 2013	88,710
Impairment of goodwill	(22,668)
Adjustment: IROC acquisition	1,714
Foreign exchange adjustment	1,851
December 31, 2014	$ 69,607

Contractual Obligations

In the normal course of business the Company incurs contractual obligations. The expected maturities of the Company's contractual obligations as at December 31, 2014 are as follows:

(stated in thousands)	2015	2016	2017	2018	2019	Thereafter	Total
Senior Notes	$ -	$ -	$ -	$ -	$ 265,000	$ -	$ 265,000
Senior Notes interest	20,869	20,869	20,869	20,869	10,434	-	93,910
Trade payables and other current liabilities	73,671	-	-	-	-	-	73,671
Dividends payable	5,615	-	-	-	-	-	5,615
Operating leases	4,430	3,343	2,507	2,376	2,329	11,839	26,824
Purchase commitments	16,363	-	-	-	-	-	16,363
Other long term debt	1,200	748	551	-	-	-	2,499
Total	$ 122,148	$ 24,960	$ 23,927	$ 23,245	$ 277,763	$ 11,839	$ 483,882

There have been no material changes in the contractual obligations detailed above, other than in the normal course of business, during the current interim period.

Outstanding Share Data

	February 26, 2015	December 31, 2014	December 31, 2013
Common shares outstanding	74,671,728	74,866,028	73,386,191
Warrants outstanding	-	-	108,261
Restricted share units outstanding	297,321	304,336	-
Stock options outstanding	4,785,267	5,093,972	4,425,598

Off Balance Sheet Arrangements

As at December 31, 2014, Western had no off balance sheet arrangements in place.

Transactions with Related Parties

During the year ended December 31, 2014, the Company had no transactions with related parties.

Financial Instruments

Fair Values

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as a "financial asset or financial liability at fair value through profit or loss", "available-for-sale financial assets", "held-to-maturity investments", "loans and receivables", or "other financial liabilities".

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

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

Derivatives embedded in other instruments or host contracts are separated from the host contract and accounted for separately when their economic characteristics and risks are not closely related to the host contract. Embedded derivatives are recorded on the balance sheet at their estimated fair value and changes in the fair value are recorded through net income. The asset is recognized in other assets on the balance sheet while a change in the value of the embedded derivative is included in other items within net income.

The Company has the following non-derivative financial assets:

(i) Financial assets at fair value through profit or loss:

Cash and cash equivalents is held for trading within the fair value through profit or loss category. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income.

(ii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value adjusted for any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company's trade and other receivables are categorized as loans and receivables.

(iii) Available for sale:

From time to time, the Company may have certain equity investments in publicly traded entities. Investments that have a quoted price in an active market are measured at fair value with changes in fair value recognized in other comprehensive income. When the investment is ultimately sold, any gains or losses are recognized in net income and any unrealized gains or losses previously recognized in other comprehensive income are reversed.

The Company has the following non-derivative financial liabilities:

(i) Other financial liabilities:

Trade and other payables, finance lease obligations, the senior notes and credit facilities are classified as "other financial liabilities". Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Other financial liabilities, including the senior notes, are subsequently measured at amortized cost using the effective interest method. Transaction costs incurred with respect to the credit facilities are deferred and amortized using the straight-line method over the term of the facility. The asset is recognized in other assets on the balance sheet while the amortization is included in finance costs within net income.

(ii) Equity instruments:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Credit Risk

The Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risk. The Company's practice is to manage credit risk by performing a detailed analysis of the credit worthiness of new customers before the Company's standard payment terms are offered. Additionally, the Company constantly reviews individual customer trade receivables, taking into consideration payment history and the aging of the receivable to monitor collectability.

Interest Rate Risk

The Company is exposed to interest rate risk on debt subject to floating interest rates, such as the Company's credit facilities.

Foreign Exchange Risk

The Company is exposed to foreign exchange fluctuations in relation to its US dollar capital expenditures and US operations. The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances. From time-to-time the Company may use forward foreign currency contracts to hedge against these fluctuations.

Liquidity Risk

Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they become due. To manage liquidity risk, the Company forecasts operational results and capital spending on a regular basis. Variances between actual results and forecast are continually monitored to assess the Company's ability to meet its financial obligations.

Recent Pronouncements and Amendments

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2014, and have not been applied in preparing these Financial Statements.

The following new standards have not been adopted and may impact the Company in the future:

- IFRS 15, Revenue from Contracts with Customers, was issued in May 2014 and replaces the previous guidance on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The standard provides a single, principles based five step model to be applied to all contracts with customers. The Company is currently evaluating the impact of the adoption of this new standard on its financial statements.
- IFRS 9, Financial Instruments, was amended in July 2014 which amends its classification and measurement of financial assets and introduces a new expected loss impairment model. This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted and shall be applied retrospectively. The Company is currently evaluating the impact of the adoption of this new standard on its financial statements.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The President & Chief Executive Officer ("CEO") and Senior Vice President, Finance & Chief Financial Officer ("CFO") of Western are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for the Company.

DC&P is designed to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO by others, particularly in the period in which the annual filings are being prepared, and that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified in securities legislation, and includes controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In accordance with the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2014. This evaluation was based on the framework established in the Internal Control – Integrated Framework (2013) issued in May 2013 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, the CEO and CFO have concluded that, subject to the inherent limitations noted below, the Company's DC&P and ICFR are effectively designed and operating as intended.

The Company's management, including the CEO and CFO, does not expect that the Company's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within the Company have been detected.

In 2014, we updated our control framework to COSO 2013 as required, however there was no change to the Company's ICFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Critical Accounting Estimates

This MD&A of the Company's financial condition and results of operations is based on the consolidated financial statements for the year ended December 31, 2014, which were prepared in accordance with IFRS. The presentation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of provisions at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and judgements are based on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Anticipating future events cannot occur with absolute certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Company's operating environment changes. The Company's key accounting estimates relate to business combinations, impairment, depreciation, current and deferred taxes and the determination of the fair value of share based payments.

The accounting estimates believed to be the most difficult, subjective or require complex judgements and which are the most critical to the reporting of results of operations and financial positions of the Company are as follows:

Business Combinations

The Company assesses the fair values of the net assets acquired based on management's best estimate of market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities.

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the organization that may lead to impairment of assets. Where an impairment indicator exists, or annually in the case of goodwill, the recoverable amount of the asset or cash generating unit is determined. The application of judgement is required in determining if an impairment test is required. If indicators indicate that the asset is no longer impaired, the Company will reverse impairment losses on assets. Impairment losses on goodwill are never reversed. Similar to determining if an impairment exists, judgment is required in assessing if a reversal of an impairment loss is required. Value-in-use and fair value less cost to sell calculations performed in assessing the recoverable amounts incorporate a number of key estimates. As at December, 2014, the Company completed its assessments and recognized a loss of $7.2 million in the fourth quarter of 2014 related to the decommissioning of a shallow drilling rig, as well as certain used equipment no longer in use. Additionally, the Company recorded a goodwill impairment loss of $22.7 million. There were no additional impairment indicators determined to exist on the Company's remaining definite life assets. As this is the first period where an impairment loss was recorded, there were no reversals of previously impairment losses.

Depreciation

The Company's property and equipment is depreciated based upon estimates of useful lives and salvage values. These estimates are based on industry practice and the Company's own experience and may change as more experience is gained, market conditions shift or new technological advancements are made.

The componentization of the Company's property and equipment, specifically drilling rig equipment and well servicing rig equipment, is based on management's judgment as to which components constitute a significant cost in relation to the entire item. The componentization process also requires management's judgement in assessing whether individual components have similar consumption patterns and useful lives.

Income taxes

Preparation of the consolidated financial statements involves determining an estimate of, or provision for, income taxes in each of the jurisdictions in which the Company operates. The process also involves making an estimate of taxes currently payable and taxes expected to be payable or recoverable in future periods, referred to as deferred taxes. Deferred taxes result from the effects of temporary differences due to items that are treated differently for tax and accounting purposes. The tax effects of these differences are reflected in the consolidated balance sheet as deferred tax assets and liabilities. An assessment must also be made to determine the likelihood that the Company's future taxable income will be sufficient to permit the recovery of deferred tax assets. To the extent that such recovery is not probable, recognized deferred tax assets must be reduced to the recoverable amount. Judgement is required in determining the provision for income taxes and recognition of deferred tax assets and liabilities. Management must also exercise judgement in its assessment of continually changing tax interpretations, regulations and legislation, to ensure deferred tax assets and liabilities are complete and fairly presented. The effects of differing assessments and applications could be material.

Share based payments

Stock based compensation expense associated with stock options and equity settled restricted share units granted is based on various assumptions, using the Black-Scholes option pricing model to calculate an estimate of fair value. The inputs into the model include interest rates, expected life, expected volatility, expected forfeitures, expected dividends and share prices and these inputs affect the estimated fair value calculated. Determining the estimated expected life, volatility, forfeitures and expected dividends requires judgement.

Business Risks

For a comprehensive listing of the Company's business risks please see the most recent Annual Information Form for the year ended December 31, 2014 as filed on SEDAR at www.sedar.com. The Company's primary business risks as at December 31, 2014 are as follows:

- The Company's business relies on the oil and gas exploration and production industry which is subject to a number of risks including general economic conditions, fluctuations in demand and supply of production components, fluctuations in commodity prices, competition and increases in operating costs. In addition, changes may occur in government regulations, including regulations relating to foreign acquisitions, prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and natural gas and environmental protection for the oil and gas industry as a whole. Risks impacting the oil and gas exploration and production industry, including the ability of oil and gas companies to accumulate capital or variations in their exploration and development budgets, may also affect the Company's business. The exact impact of these risks cannot be accurately predicted.
- In addition to global economic events and uncertainty, the capacity within North America to ship commodities to market introduces uncertainties in levels of activity and pricing for oil and natural gas production.
- The Company is vulnerable to market prices. Fixed costs, including costs associated with operations, leases, and labour costs account for a significant portion of the Company's expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, or other factors could significantly affect its revenues and financial results.
- Competition among related oilfield service companies is significant. Some competitors are larger and have greater revenues than the Company and overall greater financial resources. The Company's ability to generate revenues depends on its ability to attract and win contracts and to perform services.
- Currently, the Company is focused on providing services in the WCSB as well as certain geographic areas in the United States, which may expose the Company to more extreme market fluctuations relating to items such as weather and general economic conditions which may be more extreme than the broader industry conditions.
- The success of the Company is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Company.
- The Company's business is subject to the operating risks inherent to the oilfield service industry. On occasion, substantial liabilities to third parties may be incurred. The Company will have the benefit of insurance maintained by it and industry standard contracts, however, it may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.
- The oilfield service industry has experienced a high degree of invention and innovation. It is possible that new technology will be developed which will compete with the Company's products and services.
- A portion of the operations of the Company are in the United States which subject the Company to currency fluctuations and different tax and regulatory laws.

Forward-Looking Statements and Information

This MD&A contains certain statements or disclosures relating to Western that are based on the expectations of Western as well as assumptions made by and information currently available to Western which may constitute forward-looking information under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Western anticipates or expects may, or will occur in the future (in whole or part) should be considered forward-looking information. In some cases forward-looking information can be identified by terms such as "forecast", "future," "may", "will", "expect", "anticipate,", "believe", "potential", "enable", "plan", "continue", "contemplate", "pro forma", or other comparable terminology.

In particular, forward-looking information in this MD&A includes, but is not limited to, statements relating to future declaration of dividends; the future demand for the Company's services and equipment; the terms of existing and future drilling contracts in Canada and the US and the revenues resulting therefrom (including the number of operating days typically generated from the Company's contracts); the Company's expansion and maintenance capital plans for 2015, including the ability of current capital resources to cover Western's financial obligations and the 2015 capital budget; the Company's expected sources of funding to support such capital plans and the Company's plans to postpone capital spending if market conditions continue to deteriorate; expectations as to the increase in crude oil transportation capacity through rail and pipeline development; expectations as to the necessary approvals for liquefied natural gas projects being obtained; the expectation of continued foreign investment into the Canadian oilfield industry; the expectation of an early end to first quarter activity, the expectation that producer spending constraints will continue to be a large challenge facing the Company in 2015; and forward-looking statements under the heading "Critical Accounting Estimates".

The material assumptions in making the forward-looking statements in this MD&A include, but are not limited to, assumptions relating to, demand levels and pricing for oilfield services; fluctuations in the price and demand for oil and natural gas; the current low levels of and pressures on commodity pricing; the continued business relationship between the Company and its one significant customer; general economic and financial market conditions; the development of liquefied natural gas projects, crude oil transport and pipeline approval and development; the Company's ability to finance its operations; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; and other unforeseen conditions which could impact the use of services supplied by Western including Western's ability to respond to such conditions.

Although Western believes that the expectations and assumptions on which such forward-looking statements and information are based on are reasonable, undue reliance should not be placed on the forward-looking statements and information as Western cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risk that the demand for oilfield services will not improve for the remainder of 2015 and that commodity prices will remain low, and other general industry, economic, market and business conditions. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Additional information on these and other risk factors that could affect Western's operations and financial results are included in Western's annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements and information contained in this MD&A are made as of the date hereof and Western does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Additional data

The Annual Information Form containing additional information relating to the Company is filed on SEDAR at www.sedar.com.