First Quarter Interim Report

Dated: June 15, 2011

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, 2010 and 2009, the Company's management discussion and analysis ("MD&A") for the year ended December 31, 2010 as well as the Company's condensed consolidated financial statements and notes as at and for the three months ended March 31, 2011 and 2010. This management's discussion and analysis is dated June 15, 2011.

Selected Financial Information

(stated in thousands of Canadian dollars, except share and per share amounts)

Financial Highlights	**Three months ended March 31, 2011**	**Three months ended March 31, 2010**
Revenue	55,385	4,318
EBITDA[1]	20,717	548
Cash flow from operating activities	9,614	(200)
Capital expenditures	15,021	59
Net income from continuing operations	11,516	11,530 [2]
-basic net income per share	0.02	0.06
-diluted net income per share	0.01	0.05
Net income	11,344	11,099 [2]
-basic net income per share	0.01	0.06
-diluted net income per share	0.01	0.05
Weighted average number of shares		
-basic	760,035,549	193,556,748
-diluted	798,656,233	232,837,411
Outstanding common shares as at period end	946,118,882	527,549,161
Dividends declared	-	-

Operating Highlights	**Three months ended March 31, 2011**	**Three months ended March 31, 2010**
Contract Drilling		
Contract drilling rig fleet:		
-Average	23	11 [3]
-End of period	24	11
Drilling revenue per operating day	27,988	25,059
Drilling rig utilization rate[4]	85%	46% [3]
CAODC industry average utilization rate[4]	68%	44% [3]
Production Services		
Jobs completed	1,115	778
Average revenue per job completed	4,746	3,249

Financial Position at	**March 31, 2011**	**December 31, 2010**	**March 31, 2010**
Working capital	74,452	13,154	45,905
Property and equipment	203,319	194,739	93,923
Total assets	329,114	264,106	151,485
Long term debt	28,030	46,061	38,918

(1) See Financial Measures Reconciliations on page 2.

(2) Includes an $11.6 million non-recurring gain on acquisitions.

(3) Calculated from the date of acquisition of the Contract Drilling segment (March 18, 2010).

(4) Utilization rate calculated on a spud to rig release basis.

On January 1, 2011, Western adopted International Financial Reporting Standards ("IFRS") for Canadian publicly accountable enterprises. Prior to the adoption of IFRS, Western followed Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). While IFRS has many similarities to GAAP, some of Western's accounting policies have changed as a result of the transition to IFRS. The most significant accounting policy changes that have had an impact on the results of Western's operations are discussed within the applicable sections of this MD&A, and in more detail in the Transition to International Financial Reporting Standards section of this MD&A. Prior year comparative amounts have been changed to reflect results as if Western had always prepared its financial results using IFRS.

Financial Measures Reconciliations

Western uses certain measures in this MD&A which do not have any standardized meaning as prescribed by IFRS. These measures 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.

EBITDA

Management believes that in addition to net income from continuing operations, earnings from continuing operations before interest and finance costs, taxes, depreciation, amortization of intangibles and other non-cash items ("EBITDA") as derived from information reported in the condensed consolidated statements of operations and comprehensive income is a useful supplemental measure as it provides an indication of the results generated by Western's principal business activities prior to consideration of how those activities are financed, the impact of foreign exchange, how the results are taxed, how funds are invested, how non-cash charges and one-time gains or losses affect results.

Operating Earnings

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

The following table provides a reconciliation of net income from continuing operations under IFRS as disclosed in the condensed consolidated statements of operations and comprehensive income to EBITDA and Operating Earnings.

(stated in thousands of Canadian dollars)	Three months ended March 31, 2011	Three months ended March 31, 2010
EBITDA	20,717	548
Depreciation - operating	4,925	419
Depreciation - administrative	64	6
Operating earnings	15,728	123
Stock based compensation - operating	61	3
Stock based compensation - administrative	142	13
Finance costs	562	91
Other items	(937)	108
Gain on business acquisitions	-	(11,624)
Income taxes	4,384	2
Net income from continuing operations	11,516	11,530

Overall Performance and Results of Operations

Western is an oilfield service company with operations in two industry segments: contract drilling and production services. Operations in the contract drilling segment are conducted through Western's wholly owned subsidiary Horizon Drilling Inc. ("Horizon"), which was acquired on March 18, 2010. Operations in the production services segment are conducted through Western's wholly owned subsidiary StimSol Canada Inc. ("StimSol").

The drilling industry in Canada has continued to see improved activity through the first quarter of 2011, specifically the demand for rigs that have the ability to drill long reach horizontal wells safely and efficiently. During the first quarter of 2011, utilization in the contract drilling segment averaged 85% as compared to an industry average of 68%.

Although the price for natural gas remains soft, oil prices on average have increased by approximately 10% in the first quarter of 2011 as compared to the same period of the prior year. This has resulted in an 8% increase in the number of wells released in Canada in 2011 relative to 2010. The increased demand for oil, along with an emphasis on liquids rich natural gas, has primarily resulted in the drilling of horizontal wells in both conventional and unconventional resource plays. During the first quarter of 2011, Western's entire drilling fleet was focused on drilling horizontal wells. In addition to more wells being released in 2011, the industry average drilling days per well also increased in the period to average 13.1 days per well, a 36% increase over the same period of the prior year.

In Western's production services segment, formations such as the Bakken, Cardium, and Montney continue to see increased demand for fracturing and pressure pumping services. As unconventional light and heavy oil plays continue to require more involved completions, demand for Western's production services continues to grow. Going forward the Company will continue its focus on providing specialized acid and solvent packages. This focus will allow the Company to offer a complete package of transportation, pumping and chemical services in western Canada.

The key operational results for the first quarter 2011 are:

- First quarter revenues increased by $51.1 million to $55.4 million in 2011 as compared to $4.3 million in 2010. The increase reflects Western's consolidation efforts in the contract drilling segment in 2010, which contributed $50.1 million in revenue in the first quarter of 2011, an increase of $48.3 million over the first quarter of 2010 when operations in the contract drilling segment commenced on March 18, 2010. Revenues in the contract drilling segment reflect average revenue per operating day in the first quarter of $27,988 and a utilization rate average of 85% as compared to the industry average of 68%. The remaining $2.8 million increase in revenue is due to increased utilization and improved pricing in Western's production services segment which completed 43% more jobs in the first quarter of 2011 at an average revenue per job 46% higher than in the first quarter of 2010.

- First quarter EBITDA (see financial measures reconciliations on page 2) totalled $20.7 million in 2011, as compared to $0.6 million in 2010. The $20.1 million increase in EBITDA is due to Western's consolidation efforts in the contract drilling segment which contributed $20.1 million in the first quarter of 2011 (40% of contract drilling revenue), an increase of $19.7 million over the 14 day period following the acquisition of Horizon and Cedar Creek Drilling Ltd. ("Cedar Creek") in first quarter of 2010. EBITDA in the production services segment increased by $1.1 million to $1.8 million in the first quarter of 2011 (or 34% of production services revenue), which was offset by an increase in corporate cash administrative costs of $0.6 million in the period.

- Corporate administrative expenses, excluding depreciation and stock based compensation, in the first quarter of 2011 increased by $0.6 million to $1.2 million, as compared to $0.6 million in the same period of the prior year. The increase is due to higher staffing levels and costs associated with Western's continued growth through consolidation efforts in the Canadian oilfield service industry.

- Net income from continuing operations remained unchanged at $11.5 million in the first quarter of 2011 as compared to the same period in the prior year despite the significant increase in EBITDA in the first quarter of 2011, due to a onetime gain of $11.6 million on the acquisitions of Horizon and Cedar Creek in the same period of the prior year.

- First quarter capital expenditures totalled $15.0 million in 2011, while asset sales totalled $2.6 million. The majority of the capital expenditures incurred in the first quarter related to the contract drilling segment, which spent $14.9 million in the period. These expenditures mainly related to the purchase of a mechanical telescopic double drilling rig from a private company for $7.0 million as well as $2.7 million that was incurred on rig builds, specifically the completion of a fit for purpose telescopic efficient long reach ("ELR") double drilling rig commissioned in the first quarter of 2011 and commencing the construction of an additional fit for purpose telescopic ELR double drilling rig to be commissioned in the fourth quarter of 2011, with the remaining capital spending relating to ancillary drilling and completion equipment.

- On March 29, 2011 Western completed a public offering for 192,500,000 common shares at a price of $0.39 per share for gross proceeds of approximately $75.1 million. Subsequent to quarter end on April 1, 2011, the underwriters of the public offering exercised an over-allotment option and pursuant thereto acquired an additional 28,875,000 common shares at $0.39 per share for gross proceeds of approximately $11.3 million. The underwriters were paid commissions of approximately $4.3 million with respect to the public offering. Western used the proceeds for working capital requirements and to temporarily reduce bank indebtedness under its credit facilities.

Subsequent to the end of the first quarter of 2011 the following occurred:

- On June 8, 2011, Western increased its syndicated revolving credit facility to a $150 million committed three year extendible revolving credit facility (the "Revolving Facility"). The Revolving Facility requires interest to be paid monthly with no scheduled principal repayments unless the Revolving Facility is not extended by the maturity date. The current maturity date of the Revolving Facility is June 7, 2014. Amounts borrowed under the Revolving Facility will bear interest at the bank's prime rate or the banker's acceptance rate plus an applicable margin depending, in each case, on the ratio of consolidated debt to consolidated EBITDA. The purpose of the Revolving Facility is for general corporate purposes including refinancing the existing credit facility as well as partially financing the acquisition of Stoneham.
- On June 10, 2011, the Company acquired all of the issued and outstanding units of Stoneham Drilling Trust ("Stoneham") in exchange for a combination of cash and common shares of Western. The total transaction value is approximately $236.5 million, including the assumption of approximately $45 million in debt and transaction costs. A portion of the consideration was paid for through the issuance of approximately 196.1 million shares of Western at an ascribed value of $0.39 per Western share with the remaining $115 million of consideration paid in cash. In accordance with IFRS 3, Business Combinations, the share consideration was determined based on the closing price of Western's shares immediately before closing the acquisition. Western drew funds from its Revolving Facility to partially fund the acquisition of Stoneham.

Outlook

The drilling industry in Canada is moving towards drilling wells of increased complexity. During the first quarter of 2011, the Company was the seventh largest drilling company in Canada with a fleet of twenty-four drilling rigs which are specifically suited for today's drilling environment. Horizon's ELR single rigs are specifically designed with integrated top-drives, triplex mud pumps, mechanized pipe handling equipment and range III tubulars. Horizon's telescopic ELR doubles are also of modern design including the necessary hook load capabilities, triplex mud pumps and are equipped with top-drives at the customer's request. Horizon's ELR triples are also designed with integrated top-drives, triplex mud pumps, mechanized pipe handling equipment including iron derrickman and range III tubulars. As a result of the acquisition of Stoneham, the Company now has a total fleet of forty-three drilling rigs and has become the sixth largest drilling company in Canada.

With the continuing depressed market for natural gas, our customers are targeting oil and liquids-rich natural gas wells. Of the 134 wells drilled by the Company in the first quarter of 2011, over 60% targeted oil, which is a trend that is expected to continue. The increased demand for oil and natural gas liquids has also led to an increase in the drilling of horizontal wells. During the first quarter of 2011, 48% of the wells drilled in western Canada were horizontal wells, representing a 46% increase over the prior year, all of which fits well with the Company's current rig fleet with respect to pumping capabilities, top-drive requirements, and depth capacities.

Currently the industry is experiencing a shortage of qualified people; however Horizon's fleet is fully crewed with qualified personnel. We believe Horizon's modern fleet and corporate culture will provide a distinct advantage in attracting qualified individuals. Horizon has a proven track record for delivering high quality equipment and well trained, highly skilled crews to its customers who rely on Horizon to drill increasingly complex long reach horizontal wells. As such, Horizon is well positioned for future growth.

During 2011, the Company's utilization rates have consistently been above industry average, due to our modern rig fleet, strong customer base, and solid reputation. We expect this trend to continue. Additionally, with the integration of Western's acquisitions throughout 2010, Horizon has been able to justify performance based rates to our customers by delivering a solid product, adding capital and adapting to our changing customer needs. Utilization during the spring break-up months of April and May averaged 42% and 37%, respectively, as compared to the industry average of 23% and 19%, respectively.

Western's capital expenditures budget has been increased to approximately $68 million from the previously announced $50 million as additional rig build opportunities and ancillary equipment, such as top drives, in the contract drilling segment have been ordered to meet customer demands.

The Company has successfully integrated Horizon, Cedar Creek, Impact Drilling Ltd. ("Impact"), Pantera Drilling Income Trust ("Pantera"), acquired an additional drilling rig from a private company early in 2011, and completed the construction of and crewed a fit for purpose telescopic ELR double drilling rig in the first quarter of 2011. By maintaining an above average utilization rate, improved contract drilling day rates and low personnel turnover, the Company has established a strong platform to be able to integrate future acquisitions, including the acquisition of Stoneham which closed on June 10, 2011.

Segmented Information

As at March 31, 2011, Western operated in Canada in two main industry segments, contract drilling and production services. Contract drilling includes drilling rigs along with related equipment. Production services include various oilfield services relating to stimulation and fluid pumping, nitrogen services, specialty solvents and laboratory services.

Segment Review of Contract Drilling Services

(stated in thousands of Canadian dollars)	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenue	50,093	1,789
Expenses		
Operating		
Cash operating expenses	28,705	1,363
Depreciation	4,783	237
Stock based compensation	49	2
Total operating expenses	33,537	1,602
Administrative		
Cash administrative expenses	1,294	66
Depreciation	19	2
Stock based compensation	31	3
Total administrative expenses	1,344	71
EBITDA(1)	20,094	360
Operating earnings(1)	15,292	121
Capital expenditures	14,933	36
EBITDA as a percentage of revenue	40%	20%
Contract drilling rig fleet:		
Average	23	11 (2)
End of period	24	11
Drilling revenue per operating day	27,988	25,059
Drilling rig operating days(3)	1,790	71 (2)
Number of meters drilled	276,650	13,508
Drilling rig utilization rate(3)	85%	46% (2)
CAODC industry average utilization rate(3)	68%	44% (2)

(1) See Financial Measures Reconciliations on page 2.

(2) Calculated from the date of acquisition of the Contract Drilling segment (March 18, 2010).

(3) Utilization rate and drilling rig operating days are calculated on a spud to rig release basis.

Revenues in the contract drilling segment for the three months ended March 31, 2011 totalled $50.1 million, an increase of $48.3 million compared to $1.8 million in the prior year. The increase is due to a number of factors including the increase in the Company's rig fleet to an average of 23 rigs in the first quarter of 2011 as compared to an average of 11 rigs in the prior year, coupled with the fact that the Company only had 14 days of operations in the contract drilling segment in the first quarter of 2010 following the acquisitions of Horizon and Cedar Creek on March 18, 2010. Additionally, revenues in the first quarter of 2011 reflect average revenue per operating day of $27,988, a 12% improvement over the prior year, and a utilization rate of 85%, an 85% improvement over the first quarter of 2010, and 25% higher than the industry average. During the first quarter of 2011, the Company drilled 134 wells for a total of 276,650 metres drilled.

During the first quarter of 2011, contract drilling EBITDA totalled $20.1 million representing 40% of the segment's revenue, reflecting strong margins, above industry average utilization rates and economies of scale that have been realized as a result of Western's growth through consolidation strategy.

Capital expenditures in the contract drilling segment totalled $14.9 million in the first quarter of 2011, while asset sales totalled $2.4 million. Of the capital expenditures incurred in the contract drilling segment $7.0 million related to the purchase of a mechanical telescopic double drilling rig from a private company, $2.7 million was incurred on rig builds including the completion of a fit for purpose telescopic ELR double drilling rig commissioned in the first quarter of 2011 and commencing the construction of an additional fit for purpose telescopic ELR double drilling rig to be commissioned in the fourth quarter of 2011, with the remaining capital spending relating to ancillary drilling and completion equipment.

Segment Review of Production Services

(stated in thousands of Canadian dollars)	**Three months ended March 31, 2011**	**Three months ended March 31, 2010**
Revenue	5,292	2,529
Expenses		
Operating		
Cash operating expenses	2,964	1,697
Depreciation	142	182
Stock based compensation	12	1
Total operating expenses	3,118	1,880
Administrative		
Cash administrative expenses	536	135
Depreciation	10	4
Stock based compensation	16	1
Total administrative expenses	562	140
EBITDA[(1)]	1,792	697
Operating earnings[(1)]	1,640	511
Capital expenditures	82	22
EBITDA as a percentage of revenue	34%	28%
Jobs completed	1,115	778
Revenue per job completed	4,746	3,249

(1) See Financial Measures Reconciliations on page 2.

Production services revenue increased by $2.8 million, or 109%, to $5.3 million in the first quarter of 2011 as compared to the same period in the prior year. The increase reflects improved demand for fluid and pumping services, an increase in the Company's customer base and market penetration. As a result, the number of jobs completed in the first quarter of 2011 increased by 43% to 1,115 as compared to 778 in 2010, coupled with a 46% improvement in the average revenue per job completed.

Production services EBITDA increased by $1.1 million, or 157%, to $1.8 million in the first quarter of 2011 as compared to the first quarter of 2010. Production services EBITDA represents 34% of revenue as compared to 28% in the same period of the prior year. The increased EBITDA as a percentage of revenue reflects stronger margins and increased activity in the oil and gas industry.

During the first quarter of 2011, the production services segment incurred nominal capital expenditures totalling $0.1 million, while asset sales totalled $0.2 million.

Corporate

(stated in thousands of Canadian dollars)	**Three months ended March 31, 2011**	**Three months ended March 31, 2010**
Expenses		
Administrative		
Cash administrative expenses	1,169	509
Depreciation	35	-
Stock based compensation	95	9
Total administrative expenses	1,299	518
Finance costs	562	91
Other items	(937)	108
Gain on business acquisitions	-	(11,624)
Capital expenditures	6	1

Administrative expenses, excluding depreciation and stock based compensation, increased by $0.6 million to $1.2 million in the first quarter of 2011 as compared to the same period in the prior year. The increase is due to higher staffing levels and costs associated with Western's continued growth through consolidation in the Canadian oilfield service industry.

Finance costs totalled $0.6 million for the three months ended March 31, 2011, as compared to $0.1 million in the same period of the prior year. The increase is due to a higher average debt balance outstanding through the first quarter of 2011 following the acquisitions completed by Western in 2010.

The $11.6 million gain on business acquisitions in the first quarter of the prior year, relates to the acquisitions of Horizon and Cedar Creek on March 18, 2010 which were accounted for using IFRS 3, *Business Combinations*.

Liquidity and Capital Resources

On March 29, 2011 Western completed a public offering for 192,500,000 common shares at a price of $0.39 per share for gross proceeds of approximately $75.1 million. On April 1, 2011, the underwriters of the public offering exercised an over-allotment option and pursuant thereto acquired an additional 28,875,000 common shares at $0.39 per share for gross proceeds of approximately $11.3 million. The underwriters were paid commissions of approximately $4.3 million with respect to the public offering. Western used the proceeds for working capital requirements and to temporarily reduce bank indebtedness under its credit facilities.

On June 8, 2011, Western increased its syndicated revolving credit facility to a $150 million committed three year extendible revolving credit facility (the "Revolving Facility"). Western continues to have a $10 million demand operating facility. The Revolving Facility requires interest to be paid monthly with no scheduled principal repayments unless the Revolving Facility is not extended by the maturity date. The current maturity date of the Revolving Facility is June 7, 2014. Amounts borrowed under the Revolving Facility will bear interest at the bank's prime rate or the banker's acceptance rate plus an applicable margin depending, in each case, on the ratio of consolidated debt to consolidated EBITDA. The Revolving Facility is secured by the assets of the Company. The purpose of the Revolving Facility is for general corporate purposes including refinancing the existing credit facility as well as partially financing the acquisition of Stoneham.

As at March 31, 2011, Western had a working capital balance of $74.5 million, a $61.3 million improvement over the $13.2 million working capital balance as at December 31, 2010. The increase in working capital is largely attributed to the March 29, 2011 public offering which raised net proceeds of approximately $70.9 million, of which $23.0 million was immediately applied against long term debt. Additionally, trade receivables increased by $13.6 million due to increased activity in both of Western's operating subsidiaries in the first quarter of 2011 as compared to the fourth quarter of 2010.

Long term debt at March 31, 2011 was $28.0 million, an $18.1 million decrease compared to the December 31, 2010 balance due to the repayment of $23.0 million in long term debt immediately following the public offering on March 29, 2011. Prior to the repayment long term debt had increased by approximately $5 million, due to the capital expenditures incurred in the first three months of 2011 exceeding cash flow from operating activities by approximately $5.5 million.

During the three months ended March 31, 2011, Western generated operating cash flow from continuing operations of $9.6 million as compared to negative $0.2 million in the same period of the prior year. The increase is mainly attributed to Western's continued growth through consolidation in the contract drilling segment, which contributed operating cash flow of $12.0 million in the period, while operating cash flow contributed by Western's production services segment of $0.9 million was offset by negative cash flow from corporate activities of $3.3 million.

Discontinued Operations

During 2010, management determined its United States and international production services divisions, included in the production services segment, would be disposed of in order for the Company to focus on its core business operations in western Canada. The disposal groups consisted of certain property and equipment including a building, field equipment and shop equipment used in the production services segment. In the first quarter of 2011, there were no significant transactions within the disposal group as the respective entities are being wound up.

Summary of Quarterly Results

In addition to other market factors, quarterly results of Western are markedly affected by weather patterns throughout its operating area in Canada. 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 break up. As a result of this, the variation on a quarterly basis, particularly in the first and second quarters, can be dramatic year-over-year independent of other demand factors. The following is a summary of selected financial information of the Company for the last eight completed quarters.

	IFRS					Previous GAAP			
Three months ended	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009(1)(3)	Dec 22, 2009(1)(3)	Sep 30, 2009(3)	Jun 30, 2009(3)
Revenue	55,385	30,508	19,320	13,397	4,318	151	999	921	607
EBITDA(2)	20,717	10,430	5,520	3,058	548	(102)	(636)	(226)	(365)
Cash flow from operating activities	9,614	3,153	3,129	3,813	(200)	(436)	(2,373)	(184)	25
Income (loss) from continuing operations	11,516	5,822	10,514	(215)	11,531	(1,975)	(1,051)	(1,507)	(1,020)
per share - basic	0.02	0.01	0.02	(0.00)	0.06	(0.01)	(0.03)	(0.05)	(0.03)
per share - diluted	0.01	0.01	0.02	(0.00)	0.05	(0.01)	(0.03)	(0.05)	(0.03)
Net income (loss)	11,344	5,738	10,036	(283)	11,099	(2,011)	(2,840)	(1,650)	(897)
per share - basic	0.01	0.01	0.02	(0.00)	0.06	(0.02)	(0.09)	(0.05)	(0.03)
per share - diluted	0.01	0.01	0.02	(0.00)	0.05	(0.02)	(0.09)	(0.05)	(0.03)
Total assets	329,114	264,091	143,399	115,327	151,485	12,219	12,712	17,731	19,216
Long term financial liabilities	39,630	53,791	24,874	11,637	45,967	65	65	279	566
Dividends declared	-	-	-	-	-	-	-	-	-

(1) The fourth quarter of 2009 has been split into two periods to reflect Western's results before and after the comprehensive revaluation completed on December 22, 2009. All periods prior to December 22, 2009 are prior to the comprehensive revaluation.

(2) See Financial Measures Reconciliations on page 2.

(3) All 2009 periods were prepared based on Canadian GAAP.

Revenue is comprised of service revenue from the Company's contract drilling segment as well as its production services segment. Throughout 2009 the Company only had operated in the production services segment. On March 18, 2010, the Company started its contract drilling segment with the acquisition of Horizon and Cedar Creek. Subsequent to March 18, 2010, revenue has steadily increased mainly due to the addition of the contract drilling segment, which has continued to grow in size through the acquisitions of Impact and Pantera.

EBITDA has followed a similar trend to revenue throughout 2009, 2010 and the first quarter of 2011. This is reflective of the contract drilling segment experiencing strong margins, above industry average utilization rates and economies of scale that have been realized as a result of Western's consolidation strategy. As well, the production service segment EBITDA continues to increase which is reflective of stronger margins and increased activity in the oil and gas industry.

Net income (loss) has fluctuated throughout 2010 mainly due to the gain on business acquisitions that were recognized in the first and third quarters as well as the cyclical nature of the oil and gas service industry.

Total assets continue to increase from 2009, 2010 and the first quarter of 2011 due to the continued growth of the Company through the corporate acquisitions made throughout 2010.

Contractual Obligations

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

	Payments due by period						
(stated in thousands of Canadian dollars)	**Total**	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
Operating leases	$ 4,126	$ 1,191	$ 1,295	$ 1,061	$ 579	$ -	$ -
Capital commitments	15,459	15,455	4	-	-	-	-
Purchase commitments	366	366	-	-	-	-	-
Total	**$ 19,951**	**$ 17,012**	**$ 1,299**	**$ 1,061**	**$ 579**	**$ -**	**$ -**

Outstanding Share Data

	16-Jun-11	31-Mar-11	31-Dec-10
Common shares outstanding	1,171,067,242	946,118,882	753,618,882
Warrants outstanding	50,500,000	50,500,000	50,500,000
Stock options outstanding	32,751,661	22,401,667	20,651,667

Off Balance Sheet Arrangements

As at March 31, 2011, Western had no off balance sheet arrangements in place.

Transactions with Related Parties

Western had no related party transactions for the three month periods ended March 31, 2011 and 2010.

Financial Instruments

Fair Values

The Company's cash and investments are the only financial assets or liabilities measured using fair value. Fair value is determined based on quoted prices in active markets for identical assets or liabilities.

Credit Risk

The Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risk.

Interest Rate Risk

The Company is exposed to interest rate risk on debt subject to floating interest rates.

Foreign Exchange Risk

The Company is exposed to foreign exchange fluctuations in relation to its US dollar capital expenditures and international operations, which were discontinued during 2010. 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 has also used 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.

Changes in Accounting Policies

Transition to International Financial Reporting Standards ("IFRS")

The Company has prepared its March 31, 2011 condensed consolidated financial statements in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Company's IFRS accounting policies are provided in Note 3 to the condensed consolidated financial statements. In addition, Note 22 to the condensed consolidated financial statements presents reconciliations between the Company's 2010 Canadian GAAP results and the 2010 IFRS results. The reconciliations include: the condensed consolidated balance sheet as at January 1, 2010 and December 31, 2010 and the condensed consolidated statement of operations and comprehensive income for the three month and twelve month periods ended March 31, 2010 and December 31, 2010, respectively.

The adoption of IFRS has not had a material impact on the Company's operations, strategic decisions, cash flow or capital expenditures. IFRS also has not had a material impact on the Company's condensed opening balance sheet on January 1, 2010 mainly due to the election of certain IFRS 1 optional elections as well as the fact that the Company had previously applied CICA Handbook Section 1625, Comprehensive Revaluation of Assets and Liabilities, which resulted in the Company's property and equipment balance being adjusted to its respective fair value at December 22, 2009.

In connection with the application of CICA Handbook Section 1625 on December 22, 2009, the Company reset its contributed surplus and its deficit to zero with the corresponding adjustment applied against share capital. In total, share capital was reduced by approximately $14.0 million due to $15.8 million of deficit being applied against share capital which was offset by $1.8 million credit balance in contributed surplus which increased share capital. There is no specific guidance or literature on this accounting treatment under IFRS. Management has not reversed these adjustments on transition to IFRS as all adjusted amounts were within the Company's net equity accounts therefore the total equity value of the Company was not impacted and the opening balance sheet is a fair presentation of the Company's financial position as at January 1, 2010.

Set forth below are the IFRS 1 applicable optional exemptions and mandatory exceptions applied in the Company's conversion from Canadian GAAP to IFRS.

IFRS optional exemptions elected:

1. Business combinations - IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from January 1, 2010 ("the Transition Date"). The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected to apply IFRS 3 to business combinations that occurred prospectively from the Transition Date and as such business combinations completed before the Transition Date have not been restated.

2. Deemed Cost - IFRS 1 provides the option for an entity to revalue property, plant and equipment ("PP&E") at fair value on the Transition Date and use this fair value as the deemed transition cost. This election applies to individual assets.

   The Company has elected to apply this exemption to its entire PP&E balance on the Transition Date. The result is that no adjustment was required to arrive at the IFRS deemed cost values given that the Company had previously fair valued its balance sheet on December 22, 2009 under Canadian GAAP due to the financial restructuring of the Company and application of CICA Handbook Section 1625, described above, on this date. In addition, there was no difference in depreciation expense for the period between December 23, 2009 and January 1, 2010 between Canadian GAAP and IFRS. Therefore, the December 31, 2009 property and equipment balance previously reported under Canadian GAAP represented its fair value and deemed cost on January 1, 2010 under IFRS.

3. Stock based compensation - IFRS 2, Share-based Payment, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. IFRS 1 provides the option to not retrospectively apply the requirements of IFRS 2 to equity instruments that have vested prior to the Transition Date. The Company applied this exemption and as a result, there was no adjustment to equity instruments granted after November 7, 2002 that had vested prior to the Transition Date.

4. Compound financial instruments - IFRS 1 provides the exemption that allows an entity to use its previous GAAP's accounting treatment for compound financial instruments where the liability has been settled prior to the Transition Date. Historically, Western issued convertible debt which would have been accounted for differently under IFRS. As a result of the Company electing to utilize this exemption, compound instruments entered into and settled prior to the Transition Date were not adjusted on transition to IFRS.

IFRS mandatory exceptions applicable to the Company:

Estimates - Hindsight was not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Significant IFRS accounting policy changes:

(a) Business combinations: Following Canadian GAAP, the Company adopted CICA Handbook Section 1582, Business Combinations, which is consistent with IFRS 3 as at January 1, 2010. Therefore, there have been no significant adjustments under IFRS related to the business combinations that closed in 2010.

(b) Asset impairment: In accordance with IFRS, for purposes of assessing impairment of property and equipment, management has identified cash generating units (CGUs) based on the smallest group of assets that are capable of generating largely independent cash inflows. Under Canadian GAAP, property and equipment was allocated to asset groups defined as the lowest level of assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In addition, the recoverable amount for the impairment analysis is based on discounted cash flows under IFRS, unlike Canadian GAAP, where the recoverable amount was originally assessed on an undiscounted basis.

(c) Income taxes presentation: Under IFRS, all deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference.

(d) Stock based compensation: Under IFRS, an estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Under Canadian GAAP, the Company's policy was to account for the forfeitures as they occurred.

The following provides summary reconciliations of Western's 2010 Canadian GAAP and IFRS results:

		2010				
	Note	Q1	Q2	Q3	Q4	Annual
Net income and comprehensive income under Canadian GAAP		$ 11,106	$ (98)	$ 10,154	$ 5,887	$ 27,049
Differences increasing (decreasing) reported net income:						
PP&E - Depreciation	(a)	(11)	(133)	(188)	(244)	(576)
Provisions	(b)	-	(104)	24	24	(56)
Leases	(c)	(1)	-	-	-	(1)
Stock based compensation	(d)	2	19	(1)	10	30
Income taxes	(e)	3	33	47	61	144
Total net income and comprehensive income under IFRS		$ 11,099	$ (283)	$ 10,036	$ 5,738	$ 26,590

Notes to reconciliation of Canadian GAAP to IFRS:

(a) Property and equipment:

IAS 16 is effective as of January 1, 2010 and is applicable to all items of property and equipment at that date. The transition rules in IAS 16 and IFRS 1 as applied by the Company result in the following:

- Property and equipment were fair valued at the Transition Date which then became the items deemed cost to be depreciated moving forward and resulted in no change in the carrying value due to the fact that items were previously fair valued under Canadian GAAP as at December 22, 2009. There was no difference in depreciation expense for the period between December 23, 2009 and January 1, 2010 between Canadian GAAP and IFRS.

- The identification of certain significant components of property and equipment has resulted in a change to the estimate of the useful life of certain items of property and equipment in 2010 under IFRS. The change in estimate has resulted in adjustments to the carrying value and depreciation expense previously booked under Canadian GAAP in 2010.

(b) Provisions:

Under IFRS, the Company recognized a provision due to an onerous office lease in 2010 as the benefit the Company expected to receive in the future no longer exceeded the cost of fulfilling the contract.

(c) Leases:

Under Canadian GAAP, leases of certain vehicles were classified as operating leases. Under IFRS, these vehicles have been classified as finance leases based on whether risk and rewards transfer to the lessee. As a result, property and equipment together with leased obligations on the balance sheet have been adjusted.

(d) Stock based compensation:

The Company has elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that have not vested by the Transition Date.

Under Canadian GAAP, forfeitures of awards are recognized as they occur. Under IFRS, an estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. As a result, the Company adjusted its expense to reflect this difference.

(e) Income taxes

Deferred taxes have been adjusted to give effect to adjustments related to the change in depreciation expense from transition to IFRS throughout 2010. No adjustment has been made with respect to the IFRS adjustment relating to provisions given that the temporary difference is not expected to be realized by the Company. As at January 1, 2010, no adjustment has been made to income taxes for the change in the classification of certain lease contracts as finance leases under IFRS as the amounts were not significant.

Critical Accounting Estimates

This Management's Discussion and Analysis of the Company's financial condition and results of operations is based on its consolidated financial statements which are 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 judgments are based on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Anticipating future events cannot be done with 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 impairment, depreciation, current and deferred taxes, determination of the fair value of stock options and valuation of derivatives.

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

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 for goodwill, the recoverable amount of the asset or cash generating unit is determined. Value-in-use calculations performed in assessing the recoverable amounts incorporate a number of key estimates.

During the first quarter of 2011, the Company completed its assessments and did not identify indicators for impairment of the carrying value of long-lived assets of the Company. As at December 31, 2010 and January 1, 2010, the Company completed its assessments and did not identify indicators of impairment of the carrying value of long-lived assets of the Company.

Componentization of property and equipment:
The identification of certain significant components of property and equipment has resulted in a change to the estimation of the useful life of some items of property and equipment in 2010 under IFRS. Management has made estimates with respect to the useful lives of items of property and equipment based on historical experience. The change in estimate has resulted in adjustments to the carrying value and depreciation expense previously booked under Canadian GAAP in 2010.

Income taxes
Preparation of the condensed 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 income 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 condensed 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 income tax assets. To the extent that such recovery is not probable, recognized deferred income tax assets must be reduced. Judgment is required in determining the provision for income taxes and recognition of deferred tax assets and liabilities. Management must also exercise judgment in its assessment of continually changing tax interpretations, regulations and legislation, to ensure deferred income tax assets and liabilities are complete and fairly presented. The effects of differing assessments and applications could be material.

Business Risks

The following business risks are applicable to the Company's business:

- Competition among related service companies is significant. Many competitors are substantially larger and have substantially 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 western Canadian sedimentary basin, which exposes the Company to market fluctuations in specific locations which may be more extreme than the overall 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 Company is vulnerable to market prices. Fixed costs, including costs associated with operations, leases, labour costs and depreciation account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, or other factors could significantly affect its revenues and financial results.
- The Company's business relies on the oil and gas exploration and production industry which is subject to a number of risks. General economic conditions, fluctuations in demand and supply of production components, fluctuations in commodity prices, competition and increases in operating costs are some of them. In addition, changes may occur in government regulation, including regulations relating to 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 affecting the oil and gas exploration and production business may also affect the Company's business. The exact effect of these risks cannot be accurately predicted.
- The oilfield services 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, and all of the discontinued operations of the Company, are in the United States and Mexico which subject the Company to currency fluctuations and different tax and regulatory laws.

Forward-looking statements

Certain statements contained in this Management Discussion and Analysis constitute forward-looking statements or information. These statements relate to future events or future performance of Western. All Statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions are intended to identify forward-looking statements.

In particular such forward-looking statements include under the heading Outlook, the statements: "During the first quarter of 2011, the Company's utilization rates have consistently been above industry average, due to our modern rig fleet, strong customer base and solid reputation. We expect this trend to continue throughout 2011.". Those statements are based on the assumption that the high levels of activity and usage of Western's assets and services expected in 2010 will continue into 2011. There is a risk that such higher than average utilization rates will not continue.

As such, many factors could cause the performance or achievement of Western to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Because of the risks, uncertainties and assumptions contained herein, readers should not place undue reliance on these forward-looking statements.

Additional data

Additional information relating to the Company is filed on SEDAR at www.sedar.com.