Third Quarter Interim Report

Dated: October 30, 2013

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, 2012 and 2011, the Company's management discussion and analysis ("MD&A") for the year ended December 31, 2012, as well as the Company's condensed consolidated financial statements and notes as at and for the three months and nine months ended September 30, 2013 and 2012. This MD&A is dated October 30, 2013. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Financial Highlights	**Three months ended Sept 30**			**Nine months ended Sept 30**		
(stated in thousands, except share and per share amounts)	**2013**	**2012**	**Change**	**2013**	**2012**	**Change**
Revenue	101,389	69,573	46%	250,230	225,279	11%
Operating Revenue(1)	96,473	64,999	48%	234,563	206,401	14%
Gross Margin(1)	37,547	29,382	28%	94,579	93,703	1%
Gross Margin as a percentage of operating revenue	39%	45%	(13%)	40%	45%	(11%)
EBITDA(1)	30,297	23,944	27%	73,880	77,550	(5%)
EBITDA as a percentage of operating revenue	31%	37%	(16%)	31%	38%	(18%)
Cash flow from operating activities	6,667	9,248	(28%)	77,492	93,895	(17%)
Capital expenditures	31,002	30,898	-	67,705	106,903	(37%)
Net income	7,927	8,251	(4%)	19,449	32,086	(39%)
-basic net income per share	0.11	0.14	(21%)	0.29	0.55	(47%)
-diluted net income per share	0.11	0.14	(21%)	0.28	0.53	(47%)
Weighted average number of shares						
-basic	73,351,805	58,581,133	25%	67,569,459	58,549,352	15%
-diluted	73,793,367	60,700,338	22%	68,587,001	60,816,945	13%
Outstanding common shares as at period end	73,366,253	59,427,143	23%	73,366,253	59,427,143	23%
Dividends declared	5,502	4,457	23%	15,478	4,457	247%
Dividends declared per common share	0.075	0.075	-	0.225	0.075	200%
Operating Highlights						
Contract Drilling						
Canadian Operations						
Average contract drilling rig fleet	45	42	7%	45	41	10%
Operating revenue per operating day (CDN$)(2)	25,385	26,837	(5%)	26,918	29,189	(8%)
Drilling rig utilization rate per revenue day(3)	62%	58%	7%	57%	59%	(3%)
Drilling rig utilization rate per operating day(4)	56%	53%	6%	52%	53%	(2%)
CAODC industry average utilization rate(4)	40%	40%	-	39%	42%	(7%)
United States Operations						
Average contract drilling rig fleet	5	5	-	5	5	-
Operating revenue per operating day (US$)(2)	24,410	32,137	(24%)	27,128	32,850	(17%)
Drilling rig utilization rate per revenue day(3)	98%	73%	34%	74%	87%	(15%)
Drilling rig utilization rate per operating day(4)	88%	60%	47%	60%	69%	(13%)
Production Services						
Average well servicing rig fleet	65	5	1,200%	46	4	1,050%
Operating revenue per service hour (CDN$)(2)	743	582	28%	740	581	27%
Service rig utilization rate(5)	51%	39%	31%	40%	31%	29%

(1) See Financial Measures Reconciliations on page 2.

(2) Operating revenue per operating day and per service hour are calculated using operating revenue divided by operating days and service hours, respectively.

(3) Drilling rig utilization rate per revenue day is calculated based on operating and move days.

(4) Drilling rig utilization rate per operating day is calculated on operating days only (i.e. spud to rig release basis).

(5) Service rig utilization rate calculated based on full utilization of 10 hours per day, 365 days per year.

Financial Position at (stated in thousands)	September 30, 2013	September 30, 2012	Change	December 31, 2012	Change
Working capital	45,862	62,753	(27%)	77,628	(41%)
Property and equipment	770,770	558,248	38%	568,157	36%
Total assets	947,836	727,113	30%	749,448	26%
Long term debt	263,050	176,739	49%	186,948	41%

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 condensed 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 third party charges.

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

	Three months ended September 30		Nine months ended September 30	
(stated in thousands)	**2013**	**2012**	**2013**	**2012**
Operating Revenue				
Drilling	69,499	63,952	193,715	204,616
Production services	27,003	1,047	40,877	1,785
Less: inter-company eliminations	(29)	-	(29)	-
	96,473	**64,999**	**234,563**	**206,401**
Third party charges	4,916	4,574	15,667	18,878
Revenue	**101,389**	**69,573**	**250,230**	**225,279**

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.

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 ("EBITDA") is a useful supplemental measure as it provides an indication of the results generated by the Company's principal operating segments 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 segments similar to 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 condensed consolidated statements of operations and comprehensive income to Gross Margin, EBITDA and Operating Earnings:

	Three months ended September 30		Nine months ended September 30	
(stated in thousands)	**2013**	**2012**	**2013**	**2012**
Gross Margin	37,547	29,382	94,579	93,703
Add (subtract):				
Administrative expenses	(8,116)	(5,965)	(22,968)	(17,837)
Depreciation - administrative	347	234	1,086	606
Stock based compensation - administrative	519	293	1,183	1,078
EBITDA	30,297	23,944	73,880	77,550
Depreciation - operating	(13,262)	(8,218)	(31,785)	(22,823)
Depreciation - administrative	(347)	(234)	(1,086)	(606)
Operating Earnings	16,688	15,492	41,009	54,121
Stock based compensation - operating	(271)	(126)	(643)	(384)
Stock based compensation - administrative	(519)	(293)	(1,183)	(1,078)
Finance costs	(4,149)	(3,169)	(11,903)	(9,200)
Other items	(175)	(477)	(133)	(173)
Income taxes	(3,647)	(3,176)	(7,698)	(11,200)
Net income	7,927	8,251	19,449	32,086

Overall Performance and Results of Operations

Western is an oilfield service company providing 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 IROC 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 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.

In 2013, on a year to date basis, the commodity price environment for crude oil in Canada has strengthened as compared to 2012, increasing approximately 10% year over year. Additionally, the price for natural gas has improved significantly, increasing approximately 35% year over year. The 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. Horizontal wells in the Western Canadian Sedimentary Basin ("WCSB"), as a percentage of all wells drilled, increased in 2013 to 70% compared to 65% in 2012. This has resulted in continued demand in the WCSB for Efficient Long Reach ("ELR") drilling rigs, with the industry utilization rate averaging 39% during the first nine months of 2013, which is consistent with the five year average of 39%, but lower than the same period in the prior year when industry utilization averaged 43%. During 2013 Western's entire drilling rig fleet has been focused on drilling horizontal wells. In Canada, on a year to date basis, Western's average operating days per well drilled decreased by 4% to 16.2 operating days per well in 2013 as compared to 16.8 operating days per well in 2012. However, the average meters drilled per well increased by 1% to 3,407 in 2013 as compared to 3,379 in the prior year, reflecting increased efficiencies in Western's drilling operations. In the United States on a year to date basis, Western averaged 26.8 operating days per well drilled in 2013 as compared to 27.2 operating days per well in the same period of the prior year, a 1% decrease. The average meters drilled per well in the United States also decreased by 4% to 5,655 meters in 2013, compared to 5,905 meters in 2012. The average time it takes to drill a well has a direct relationship to the complexity and depth of the well.

Key operational results for the third quarter of 2013 include:

- Third quarter Operating Revenues increased by $31.5 million (or 48%) to $96.5 million in 2013 as compared to $65.0 million in 2012. The increase is due to the increased size and scale of Western's production services segment following the acquisition of IROC which resulted in an approximate $26.0 million increase in Operating Revenue in the period. Additionally, Operating Revenue in the contract drilling segment increased by $5.5 million due to higher utilization in both Canada and the United States coupled with a larger average drilling rig fleet in Canada, partially offset by decreased day rates.

- Third quarter EBITDA increased by $6.4 million (or 27%) to $30.3 million in 2013 (31% of Operating Revenue), as compared to $23.9 million in 2012 (37% of Operating Revenue) due to the increased contribution from the production services segment following the acquisition of IROC. The Company was able to effectively control costs quarter over quarter, specifically in the contract drilling segment where, on a per operating day basis, administrative expenses decreased by 19%, and operating expenses remained relatively constant. However, EBITDA as a percentage of Operating Revenue decreased approximately 700 bps mainly due to lower contract drilling day rates in both Canada and the United States.
- Administrative expenses, excluding depreciation and stock based compensation, in the third quarter of 2013 increased $1.8 million to $7.2 million (8% of Operating Revenue) as compared to $5.4 million in the third quarter of 2012 (8% of Operating Revenue) mainly due to the increased administrative expenses associated with the acquisition of IROC. As a percentage of Operating Revenue, administrative expenses have remained consistent with the prior year due to the increased scale of Western's operations.
- Net income decreased by $0.4 million to $7.9 million in the third quarter of 2013 ($0.11 per basic common share) as compared to net income of $8.3 million in the same period in the prior year ($0.14 per basic common share). The decrease is mainly attributed to an increase in depreciation expense of $5.2 million, and an increase in finance costs, stock based compensation, income tax expense and other items totalling $1.6 million, partially offset by the increase in EBITDA of $6.4 million.
- Third quarter capital expenditures of $31.0 million include $25.5 million of expansion capital, $3.0 million of maintenance capital and $2.5 million for critical spares. The majority of the third quarter 2013 capital expenditures relate to the contract drilling segment, which incurred $28.1 million in capital expenditures. These expenditures mainly relate to Western's drilling rig build program, which totalled $14.9 million in the period. The remaining capital spending in the contract drilling segment related to ancillary drilling equipment. Additionally, $2.7 million was incurred in the production services segment mainly relating to the purchase of additional oilfield rental equipment.
- On September 18, 2013 Western completed a private offering of $90.0 million aggregate principal amount of 7⅞% senior unsecured notes due January 30, 2019 which were issued at $1,016.25 per $1,000.00 principal amount plus accrued interest from and including July 30, 2013. Western used the net proceeds from the offering to repay all of its outstanding indebtedness under its secured credit facilities, which was incurred as a result of the acquisition of IROC, and for general corporate purposes.

Key operational results for the nine months ended September 30, 2013 include:

- Operating Revenues for the nine month period ended September 30, 2013 increased by $28.2 million (or 14%) to $234.6 million as compared to $206.4 million in the same period of the prior year. The increase is due a $39.1 million increase in Operating Revenue in the production services segment following the IROC acquisition completed on April 22, 2013. This increase was partially offset by lower revenues in the contract drilling segment, which decreased by $10.9 million year over year. The decrease in Operating Revenue in contract drilling is due to lower pricing in both Canada and the United States, partially offset by an increase in total operating days of 4% as higher operating days in Canada were offset by lower operating days in the United States.
- For the nine months ended September 30, 2013, EBITDA decreased by $3.7 million (or 5%) to $73.9 million (31% of Operating Revenue), as compared to $77.6 million (38% of Operating Revenue) in the same period of the prior year. The decrease in EBITDA is mainly attributed to a decrease in contract drilling day rates in both Canada and the United States, however Western continues to effectively control costs. On a per operating day basis administrative expenses have remained relatively flat, whereas operating expenses per operating day have decreased by approximately 3%. The decrease in contract drilling EBITDA was partially offset by an increased contribution from the production services segment following the acquisition of IROC.
- Year to date administrative expenses, excluding depreciation and stock based compensation, increased $4.5 million to $20.7 million (9% of Operating Revenue) as compared to $16.2 million (8% of Operating Revenue) in the same period of the prior year. The increase is mainly due to the increased administrative expenses associated with the acquisition of IROC which closed during spring break up in the second quarter of 2013, when Operating Revenue is seasonally low.
- For the nine months ended September 30, 2013, net income decreased by $12.7 million to $19.4 million ($0.29 per basic common share) as compared to $32.1 million ($0.55 per basic common share) in the same period of the prior year. The decrease in net income reflects the decrease in EBITDA of $3.7 million, increased depreciation of $9.4 million, and increased finance costs of $2.7 million offset by a decrease in income taxes of $3.5 million.
- Year to date capital expenditures of $67.7 million include $55.3 million of expansion capital, $6.6 million of maintenance capital and $5.8 million for critical spares. The majority of the capital expenditures for the nine months ended September 30, 2013 relate to the contract drilling segment, which incurred $62.1 million in capital expenditures. These expenditures mainly relate to Western's drilling rig build program, which totalled $34.6 million

year to date. The remaining capital spending in the contract drilling segment related to ancillary drilling equipment. Additionally, $5.3 million was spent in the production services segment mainly relating to the purchase of additional oilfield rental equipment and the completion of the Company's well servicing rig build program.

- On April 22, 2013, the Company acquired all of the issued and outstanding shares of IROC in exchange for a combination of cash and common shares of Western. The total transaction value was approximately $176.3 million, including the assumption of $29.4 million in debt. A portion of the consideration included the issuance of approximately 12.4 million common shares of Western at an ascribed price of $6.80 per Western common share with the remaining $62.9 million of consideration paid in cash. IROC's well servicing fleet totalled 55 rigs, consisting of 22 singles, 26 doubles and 7 slant rigs. Additionally, IROC's assets included approximately $35 million in oilfield rental equipment and three coiled tubing units. The three coiled tubing units owned by IROC were not operated by Western after the acquisition and were sold in the third quarter of 2013 for proceeds of approximately $4.2 million.

Subsequent Events

- On October 18, 2013, Western extended the maturity date on its $125.0 million extendible revolving credit facility (the "Revolving Facility") to October 18, 2017. There were no other material changes to the terms of the Revolving Facility.
- On October 30, 2013, the Board of Directors of Western declared a quarterly dividend of $0.075 per share, payable on January 14, 2014 to shareholders of record at the close of business on December 31, 2013. 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 operations are focused on three core business lines: contract drilling, well servicing and oilfield equipment rental services. Western currently has a drilling rig fleet of 51 rigs, with an average age of approximately six years, and has three additional rigs under construction consisting of two telescopic ELR double drilling rigs, one of which will be the Company's second convertible pad rig, and the re-commissioning of a single drilling rig. Western is the sixth largest drilling contractor in Canada with a fleet of 46 rigs operating through Horizon Drilling. Additionally, Western has five ELR triple drilling rigs deployed in the United States operating through Stoneham Drilling. Western is also the seventh largest well servicing company in Canada with a fleet of 65 rigs operating through Eagle Well Servicing. Western's well servicing fleet is one of the newest in the WCSB, with an average age of approximately four years. Western's oilfield equipment rental division operates through AERO Rental Services, which provides advanced designed oilfield rental equipment used in drilling and completions processes by oil and gas producers and oilfield service companies.

Western's drilling rig fleet is specifically suited for the current market which is focused on 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. Approximately one third of Western's fleet is currently under long term take-or-pay contracts, an increase from the second quarter when approximately one quarter of the fleet was under long term contracts. The increase is due to improved demand, as the 2014 winter drilling season approaches, for high quality deep drilling rigs such as Western's. The average remaining term on these contracts is approximately two years, which provides a base level of 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 approved capital spending for 2013 totals approximately $118 million, including $98 million in expansion capital, $14 million in maintenance capital and $6 million in critical spare equipment. In total, budgeted capital spending has increased by $24 million from the previously disclosed $94 million. The Company's expansion capital has increased by $29 million from the previously disclosed $69 million, mainly related to additional capital in the Canadian contract drilling segment for the previously noted additional telescopic ELR double drilling rig, which is expected to be commissioned in the first quarter of 2014, and capital related to re-commissioning and upgrading a single drilling rig for oil sands work in Northern Alberta with one of Western's largest customers. The re-commissioning of the single drilling rig is expected to be completed by the end of 2013. The increase in expansion capital has been partially offset by the cancellation of previously budgeted capital items related to spare equipment. Western will continue to take a conservative approach to capital spending and will make appropriate adjustments to the capital program as required. Currently, Western expects approximately $15 million of its capital spending to carry over into 2014.

Approved capital spending for 2013 in the contract drilling segment totals $105 million and consists of $88 million in expansion capital, $11 million in maintenance capital and $6 million in critical spare equipment. Budgeted expansion capital in the contract drilling segment mainly relates to Western's drilling rig build program, capital to increase our drilling rig fleet's pumping capacity in Canada, as well as the addition of moving systems on select drilling rigs in the United States

and additional drill pipe and other drilling equipment. Budgeted maintenance capital in the contract drilling segment includes additional drilling equipment, drill pipe and equipment recertifications.

In the production services segment, which includes both well servicing and oilfield equipment rentals, approved capital spending for 2013 totals $12 million and consists of $10 million in expansion capital and $2 million in maintenance capital. Budgeted expansion capital in the production services segment mainly relates to the completion of Eagle's well servicing rig build program and the purchase of additional oilfield rental equipment for AERO. During the third quarter of 2013, as part of the 2013 capital plan, AERO opened a field office in Grande Prairie, Alberta to serve northern Alberta and northeast British Columbia. AERO's main operating base is located in Red Deer, Alberta.

Western expects to finance its 2013 capital expenditure budget substantially from operating cash flows while maintaining our well-structured balance sheet in 2013 thereby positioning the Company for future opportunities.

During 2013, the price for crude oil has improved with the three and nine months ended September 30, 2013 Edmonton Par price increasing by 24% and 10% respectively, as compared to the same periods in the prior year. Natural gas prices have also improved; although they remain low by historical standards, the three and nine months ended September 30, 2013 AECO 30-day spot rate increased on average by 10% and 35% respectively, as compared to the same periods in the prior year. With an increase in oilfield services activity in the second half of 2013, the Company expects utilization in 2013, as compared to 2012, to remain relatively consistent in the Canadian contract drilling segment with higher utilization expected in the United States contract drilling segment and in Western's production services segment. Additionally, Western continues to believe oilfield services activity in 2014 and beyond will improve, and additional rig build opportunities in the contract drilling segment will be available, as liquefied natural gas projects gain approval, crude oil transportation capacity increases through rail and pipeline development, drilling activity increases in the Duvernay and Montney resource plays in Alberta and northeast British Columbia, and as foreign investment continues to flow into Canada. Currently, the largest challenges facing the oilfield services industry are producer spending constraints, pricing differentials on Canadian crude oil, historically low natural gas prices, and the challenge to attract and retain skilled labour. The Company believes Western's modern drilling and well servicing rig fleet and corporate culture will provide a distinct advantage in retaining and attracting qualified individuals. Western is of the view, 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 servicing 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 Sept 30 2013	2012	Change	Nine months ended Sept 30 2013	2012	Change
Revenue						
Operating revenue	69,499	63,952	9%	193,715	204,616	(5%)
Third party charges	4,847	4,574	6%	15,580	18,878	(17%)
Total revenue	74,346	68,526	8%	209,295	223,494	(6%)
Expenses						
Operating						
Cash operating expenses	46,217	39,246	18%	127,213	129,555	(2%)
Depreciation	9,883	8,089	22%	26,245	22,591	16%
Stock based compensation	193	115	68%	514	366	40%
Total operating expenses	56,293	47,450	19%	153,972	152,512	1%
Administrative						
Cash administrative expenses	3,621	3,826	(5%)	12,486	11,461	9%
Depreciation	74	109	(32%)	263	288	(9%)
Stock based compensation	126	75	68%	170	256	(34%)
Total administrative expenses	3,821	4,010	(5%)	12,919	12,005	8%
Gross Margin[1]	28,129	29,280	(4%)	82,082	93,939	(13%)
Gross Margin as a percentage of operating revenue	40%	46%	(13%)	42%	46%	(9%)
EBITDA[1]	24,508	25,454	(4%)	69,596	82,478	(16%)
EBITDA as a percentage of operating revenue	35%	40%	(13%)	36%	40%	(10%)
Operating Earnings[1]	14,551	17,256	(16%)	43,088	59,599	(28%)
Capital expenditures	28,096	25,199	11%	62,073	93,830	(34%)
Canadian Operations						
Contract drilling rig fleet:						
Average	45	42	7%	45	41	10%
End of period	46	43	7%	46	43	7%
Operating revenue per operating day (CDN$)	25,385	26,837	(5%)	26,918	29,189	(8%)
Drilling rig operating days[3]	2,335	2,055	14%	6,345	5,928	7%
Number of meters drilled	450,729	403,414	12%	1,337,149	1,189,402	12%
Number of wells drilled	133	113	17%	393	352	12%
Average operating days per well	17.6	18.2	(3%)	16.2	16.8	(4%)
Drilling rig utilization rate per revenue day[2]	62%	58%	7%	57%	59%	(3%)
Drilling rig utilization rate per operating day[3]	56%	53%	6%	52%	53%	(2%)
CAODC industry average utilization rate[3]	40%	40%	-	39%	42%	(7%)
United States Operations						
Contract drilling rig fleet:						
Average	5	5	-	5	5	-
End of period	5	5	-	5	5	-
Operating revenue per operating day (US$)	24,410	32,137	(24%)	27,128	32,850	(17%)
Drilling rig operating days[3]	403	275	47%	825	952	(13%)
Number of meters drilled	84,682	63,889	33%	174,180	208,233	(16%)
Number of wells drilled	14	11	(38%)	31	35	(12%)
Average operating days per well	28.8	26.1	10%	26.8	27.2	(1%)
Drilling rig utilization rate per revenue day[2]	98%	73%	34%	74%	87%	(15%)
Drilling rig utilization rate per operating day[3]	88%	60%	47%	60%	69%	(13%)

(1) See Financial Measures Reconciliations on page 2.
(2) Utilization rate per revenue day is calculated based on operating and move days.
(3) Utilization rate per operating day and drilling rig operating days are calculated on operating days only (i.e. spud to rig release basis).

During the third quarter of 2013, Operating Revenues in the contract drilling segment totalled $69.5 million; a $5.5 million (or 9%) increase over the same period in the prior year, due to increased operating days in both Canada and the United States, partially offset by lower pricing. For the nine months ended September 30, 2013, Operating Revenues in the contract drilling segment totalled $193.7 million; a $10.9 million (or 5%) decrease over the same period in the prior year, due to lower pricing in both Canada and the United States. The decrease in pricing year to date was partially offset by a 4% increase in total operating days as higher operating days in Canada due to a larger average rig fleet was only partially offset by lower activity in the United States.

In Canada, for the three and nine months ended September 30, 2013, an increased drilling rig fleet and steady demand for the Company's contract drilling services resulted in increased operating days, as compared to the same periods in the prior year. While the Company's utilization in Canada improved 3 percentage points to average 56% in the third quarter of 2013, as compared to 53% in the same period of the prior year, the Company's larger drilling rig fleet, which increased by 7%, resulted in operating days increasing by 14% to 2,335 for the three months ended September 30, 2013 as compared to 2,055 in the same period of the prior year. The Company's 2013 third quarter utilization in Canada of 56% reflects an approximate 1,600 bps premium to the CAODC industry average of 40%. The Company's utilization premium over the CAODC average has improved by approximately 300 bps over the 1,300 bps spread in the third quarter of the prior year and is attributed to the evolution of the Company's customer base which now includes more larger exploration and production companies that drill through cycles and have a long term focus, coupled with Western's continued investment in our ELR fleet, which enhances the marketability of our rigs. For the three months ended September 30, 2013, Operating Revenue per operating day decreased by $1,452 (or 5%) to $25,385 as compared to $26,837 in the same period of the prior year. The decrease in day rates is due to lower industry wide activity which has resulted in pricing pressure.

For the nine months ended September 30, 2013, Operating Revenue per operating day in Canada decreased by $2,271 (or 8%) to $26,918 as compared to $29,189 in the same period of the prior year. This decrease is attributable to increased pricing pressure in tighter market conditions. Despite utilization in Canada for the nine months ended September 30, 2013 remaining constant at 52% as compared to 53% in the same period of the prior year, operating days increased by 7% to 6,345 as compared to 5,928 for the nine months ended September 30, 2012, due to the Company's increased drilling rig fleet in Canada which averaged 45 drilling rigs in the period as compared to 41 in the same period of the prior year. For the nine months ended September 30, 2013, the Company's utilization in Canada of 52% reflects an approximate 1,300 bps premium to the CAODC industry average of 39%. As a result of the higher utilization in the third quarter of 2013, relative to the CAODC industry average, the Company was able to increase its spread over the CAODC industry average for the nine months ended September 30, 2013 to approximately 1,300 bps, as compared to approximately 1,100 bps in the same period in the prior year.

Third party charges in Canada per operating day for the three and nine months ended September 30, 2013 totalled $2,029 and $2,406 per operating day respectively, compared to $2,115 and $3,097 in the same periods of the prior year. The decrease in third party charges is partially due to the change in the Company's customer base, which now includes more larger exploration and production companies that prefer to pay directly for items such as fuel, and a number of other significant flow through charges that were incurred in the prior year.

In the United States, operating days for the three months ended September 30, 2013 increased by 128 days (or 47%), as compared to the same period in the prior year resulting in utilization for the three months ended September 30, 2013 averaging 88% compared to 60% in the same period in the prior year. The increased utilization can be attributed to Western's increased marketing efforts and strong operational performance. However, Operating Revenue per operating day decreased to US$24,410 in the third quarter of 2013 compared to US$32,137 per operating day in the third quarter or 2012, a 24% decrease, reflecting increased competition in the area. Western's capital budget includes adding moving systems on select drilling rigs in the United States to meet the needs of our customers in the area and during the three month period ended September 30, 2013, the Company's first moving system was added to the United States rig fleet.

Operating days for the nine months ended September 30, 2013 decreased by 127 days (13%) as compared to the same periods in the prior year as a result of decreased activity levels in the Williston basin of North Dakota in the first six months of 2013, due to increased competition in the area and reduced customer budgets, offset partially by the higher utilization realized in the third quarter of 2013. Utilization for the nine months ended September 30, 2013 averaged 60% as compared 69% in the same period of the prior year. For the nine months ended September 30, 2013, as a result of the decrease in activity in the first half of 2013 and increased competition, Operating Revenue per operating day decreased by 17% from US$32,850 in 2012 to US$27,128 in the 2013.

For the three months ended September 30, 2013, EBITDA in the contract drilling segment decreased by $0.9 million (or 3%) to $24.5 million (35% of the segment's Operating Revenue), as compared to $25.4 million (40% of the segment's revenue) in the same period of the prior year. The decrease in EBITDA and EBITDA as a percentage of Operating Revenue is

attributed to the decrease in day rates in both Canada and the United States as the Company was able to effectively control costs in the period. Similarly, for the nine months ended September 30, 2013, EBITDA in the contract drilling segment decreased by $12.9 million (or 16%) to $69.6 million (36% of the segment's Operating Revenue), as compared to $82.5 million (40% of the segment's revenue) in the same period of the prior year due to lower day rates in both Canada and the United States.

Cash administrative expenses, excluding depreciation and stock based compensation, remained relatively constant at $3.6 million for the three months ended September 30, 2013, and decreased 19% on a per operating day basis. For the nine months ended September 30, 2013, cash administrative expenses increased by $1.0 million to $12.5 million, a 5% increase on a per operating day basis, mainly due to increased employee related expenses required to support the larger drilling rig fleet.

Depreciation expense in the contract drilling segment for the three months ended September 30, 2013 increased by $1.8 million to $10.0 million, while for the nine months ended September 30, 2013 depreciation expense increased by $3.6 million to $26.5 million. The increase for both the three and nine months ended September 30, 2013 is due to increased operating days and an increase in ancillary equipment which is depreciated on a straight-line basis.

Total capital expenditures in the contract drilling segment for the three and nine months ended September 30, 2013 totalled $28.1 million and $62.1 million respectively. Of the capital expenditures incurred in the contract drilling segment for the three months ended September 30, 2013, $23.5 million relates to expansion capital, $2.1 million relates to maintenance capital and $2.5 million relates to critical spares. For the nine months ended September 30, 2013, expansion capital in the contract drilling segment totalled $51.3 million, while maintenance capital totalled $5.0 million and critical spares totalled $5.8 million. Of the expansion capital incurred during the three and nine months ended September 30, 2013, $14.9 million and $34.6 million respectively, relates to the Company's rig build program with the remaining capital spending relating to ancillary drilling equipment, including mud pumps and generator upgrades.

Production Services

(stated in thousands)	Three months ended Sept 30 2013	2012	Change	Nine months ended Sept 30 2013	2012	Change
Revenue						
Operating revenue	27,003	1,047	2,479%	40,877	1,785	2,190%
Third party charges	69	-	100%	87	-	100%
Total revenue	27,072	1,047	2,486%	40,964	1,785	2,195%
Expenses						
Operating						
Cash operating expenses	17,654	945	1,768%	28,467	2,021	1,309%
Depreciation	3,379	129	2,519%	5,540	232	2,288%
Stock based compensation	78	11	609%	129	18	617%
Total operating expenses	21,111	1,085	1,846%	34,136	2,271	1,403%
Administrative						
Cash administrative expenses	2,316	429	440%	3,999	1,244	221%
Depreciation	-	17	(100%)	-	50	(100%)
Stock based compensation	56	(53)	(206%)	56	(39)	(244%)
Total administrative expenses	2,372	393	504%	4,055	1,255	223%
Gross Margin(1)	9,418	102	9,133%	12,497	(236)	(5,395%)
Gross margin as a percentage of operating revenue	35%	10%	258%	31%	(13%)	(331%)
EBITDA(1)	7,102	(327)	(2,272%)	8,498	(1,480)	(674%)
EBITDA as a percentage of operating revenue	26%	(31%)	(184%)	21%	(83%)	(125%)
Operating Earnings(1)	3,723	(473)	(887%)	2,958	(1,762)	(268%)
Capital expenditures	2,736	3,822	(28%)	5,252	9,075	(42%)
Well servicing rig fleet:						
Average	65	5	1,200%	46	4	1,050%
End of period	65	5	1,200%	65	5	1,200%
Operating revenue per service hour (CDN$)	743	582	28%	740	581	27%
Total service hours	30,328	1,799	1,586%	46,476	3,072	1,413%
Service rig utilization rate(2)	51%	39%	31%	40%	31%	29%

(1) See Financial Measures Reconciliations on page 2.

(2) Utilization rate calculated based on full utilization of 10 hours per day, 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 at September 30, 2013 as compared to 10 rigs immediately prior to the acquisition and 5 rigs exiting the third quarter of the prior year. Previously, Western's well servicing rigs operated through the Company's division, Matrix Well Servicing. Subsequent to the acquisition of IROC, the Company's well servicing rigs, including the Matrix well servicing rigs, operate through Eagle Well Servicing. Additionally, with the acquisition of IROC, Western acquired approximately $35 million in oilfield rental equipment, which is operated through AERO. As a result of these changes, Operating Revenue for the three and nine months ended September 30, 2013 increased significantly to $27.0 million and $40.9 million respectively, as compared to $1.0 million and $1.8 million respectively, in the same periods of the prior year when Western had just commenced well servicing operations. EBITDA also improved following the IROC acquisition to $7.1 million and $8.5 million for the three and nine months ended September 30, 2013 respectively; a significant improvement from the negative EBITDA in the same periods of the prior year.

Well servicing utilization improved to 51% in the third quarter of 2013, a 31% improvement from the same period in the prior year. Despite the improved utilization, wet weather in Eagle's operating areas in western Canada hampered utilization resulting in lower than expected revenue and EBITDA in the period. For comparison purposes, on a pro forma basis, Eagle and Matrix's utilization in the third quarter of the prior year averaged 60%. As a result of the increased well servicing rig fleet subsequent to the acquisition of IROC, well servicing hours increased substantially to 30,328 in the quarter as compared to 1,799 in the prior year. Furthermore, Operating Revenue per service hour increased by 28% in the third quarter of 2013 to average $743. The increase in Operating Revenue per service hour is attributed to the increased size of the Company's well servicing operations as Eagle operates in a number of different geographic locations, whereas the Company previously operated solely in the Lloydminster area which is highly competitive, less capital intensive and typically results in lower hourly rates. For the nine months ended September 30, 2013, well servicing utilization increased by 9 percentage points to 40% as compared to 31% in the same period of the prior year. Year to date, the Company's

increased well servicing rig fleet resulted in total service hours increasing to 46,476 as compared to 3,072 in the same period of the prior year. For the same reasons as noted above, year to date well Operating Revenue per service hour also increased substantially to $740 as compared to $581 in the prior year. For the three and nine months ended September 30, 2013, Operating Revenue in the AERO Rental Services division totalled $4.4 million and $6.4 million, respectively.

Capital expenditures for the three and nine months ended September 30, 2013 totalled $2.7 million and $5.3 million respectively, and mainly relate to expansion capital associated with the purchase of additional oilfield rental equipment as well as the Company's well servicing rig build program.

Corporate

	Three months ended Sept 30			Nine months ended Sept 30		
(stated in thousands)	**2013**	**2012**	**Change**	**2013**	**2012**	**Change**
Administrative						
Cash administrative expenses	1,313	1,183	11%	4,214	3,448	22%
Depreciation	273	108	153%	823	268	207%
Stock based compensation	337	271	24%	957	861	11%
Total administrative expenses	1,923	1,562	23%	5,994	4,577	31%
Finance costs	4,149	3,169	31%	11,903	9,200	29%
Other items	175	477	(63%)	133	173	(23%)
Income taxes						
Current tax expense	289	582	(50%)	289	4,814	(94%)
Deferred tax expense	3,358	2,594	29%	7,409	6,386	16%
Total income taxes	3,647	3,176	15%	7,698	11,200	(31%)
Capital expenditures	170	1,877	(91%)	380	3,998	(90%)

Corporate administrative expenses, for the three and nine months ended September 30, 2013 increased by $0.1 million and $0.8 million respectively, as compared to the same periods in the prior year, due to the increased staffing levels and overhead required to support the Company's growth.

For the three and nine month periods ended September 30, 2013, finance costs on a consolidated basis increased by $1.0 million and $2.7 million respectively, as compared to the same periods in the prior year. The increase is largely due to higher debt levels on the Company's revolving credit facility following the acquisition of IROC on April 22, 2013, the one additional month of interest in the first nine months of 2013 on the senior notes that were issued on January 30, 2012, and the incremental interest associated with the issuance of an additional $90.0 million in principal amount senior notes issued on September 18, 2013.

Other items for the three months ended September 30, 2013, represent a net expense of $0.2 million, mainly due to foreign exchange losses. For the nine months ended September 30, 2013, other items net to a small expense as gains on the sale of Western's investments in the first quarter of 2013 were largely offset by costs associated with the acquisition of IROC.

The Company's consolidated effective tax rate for 2013 is expected to average approximately 27.5% to 28.0%. For the three months ended September 30, 2013, income taxes on a consolidated basis totalled $3.6 million representing an effective tax rate of 31.5%. For the nine months ended September 30, 2013, income taxes totalled $7.7 million and represented an effective tax rate of approximately 28.4%. The inclusion of $2.1 million in acquisition costs, which are non deductible for tax purposes, resulted in a higher effective tax rate for the year. Additionally, the effective tax rate for both the three and nine months ended September 30, 2013 was impacted by an increase in the corporate tax rate in British Columbia in the third quarter of 2013.

Liquidity and Capital Resources

As at September 30, 2013, Western had cash and cash equivalents of $10.0 million, resulting in a consolidated net debt balance of $253.9 million, an increase of $67.8 million as compared to December 31, 2012 mainly due to the acquisition of IROC which included cash consideration of $62.9 million for the IROC common shares plus an additional $29.4 million for the assumption of IROC's debt. Additionally, Western incurred capital expenditures of $67.7 million, made cash interest payments of $13.1 million and paid dividends of $14.4 million. These cash outflows were partially offset by cash from operating activities of $77.5 million and the sale of investments during the first quarter of 2013 of $34.4 million.

At September 30, 2013, Western had a working capital balance of $45.9 million, a $31.7 million decrease as compared to December 31, 2012 mainly due to improved accounts receivable collections coupled with the sale of investments in 2013. On September 18, 2013, the Company issued $90.0 million in principal amount senior notes for gross proceeds of $91.5 million that were used to repay the outstanding balance on the revolving credit facility. At September 30, 2013, the Company has $265.0 million in senior notes outstanding. Subsequent to September 30, 2013, on October 18, 2013, the Company extended the maturity date of the revolving credit facility to October 18, 2017. At September 30, 2013, Western had approximately $135.0 million in available credit facilities and is in compliance with all debt covenants. 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 2013 capital budget.

For the three months ended September 30, 2013, the Company had a significant customer comprising 10.4% of the Company's total revenue. This customer is a large foreign state owned corporation. Additionally for the three and nine months ended September 30, 2013, the Company had another significant customer comprising 11.5% and 11.2% respectively, of the Company's total revenue. This second significant customer is a publicly traded company with a market capitalization in excess of $35 billion. Year over year, the Company's significant customer's may change.

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 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.

Three months ended	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011
(stated in thousands, except per share amounts)								
Revenue	101,389	50,835	98,006	83,338	69,573	44,819	110,887	101,300
Operating Revenue[1]	96,473	48,010	90,080	76,458	64,999	40,655	100,747	90,565
Gross Margin[1]	37,547	16,087	40,945	37,360	29,382	14,108	50,213	47,170
EBITDA[1]	30,297	9,199	34,384	31,381	23,944	9,364	44,242	41,473
Cash flow from operating activities	6,667	48,381	22,444	11,021	9,248	58,930	25,717	25,337
Income (loss) from continuing operations	7,927	(3,381)	14,903	13,092	8,251	827	23,008	24,923
per share - basic	0.11	(0.05)	0.25	0.22	0.14	0.01	0.39	0.43
per share - diluted	0.11	(0.05)	0.24	0.22	0.14	0.01	0.38	0.41
Net income (loss)	7,927	(3,381)	14,903	13,092	8,251	827	23,008	24,314
per share - basic	0.11	(0.05)	0.25	0.22	0.14	0.01	0.39	0.42
per share - diluted	0.11	(0.05)	0.24	0.22	0.14	0.01	0.38	0.40
Total assets	947,836	903,882	748,112	749,448	727,113	699,356	706,061	619,645
Long term financial liabilities[2]	263,050	232,529	182,068	186,948	176,739	171,764	171,570	108,039
Dividends declared	5,502	5,501	4,474	4,469	4,457	-	-	-

(1) See Financial Measures Reconciliations on page 2.

(2) Long term financial liabilities consist of long term debt.

Revenue peaked in the first quarter of 2012. Following spring breakup in 2012 and until the second quarter of 2013, revenues continuously increased each quarter due to the cyclical nature of the oilfield service industry, however not to the previous highs realized in the fourth quarter of 2011 and the first quarter of 2012, due to slower activity in the oilfield service industry. Revenue in the third quarter of 2013 has increased significantly following spring breakup due to the acquisition of IROC in April 2013.

EBITDA has followed a similar trend to revenue, steadily increasing after spring breakup into the third and fourth quarters. EBITDA is generally highest in the first quarter when activity is the highest. EBITDA in the most recent quarters has not been as high as the fourth quarter in 2011 and the first quarter of 2012 due to lower activity and general economic uncertainty as producers reduced their capital budgets.

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 the business acquired over the fair value of the net tangible and intangible assets acquired. A continuity of Western's goodwill balance as at September 30, 2013 is as follows:

(stated in thousands)	Amount
December 31, 2012	$ 55,527
IROC acquisition	32,550
September 30, 2013	$ 88,077

Contractual Obligations

In the normal course of business the Company incurs contractual obligations. The expected maturities of the Company's contractual obligations as at September 30, 2013 are as follows:

	Payments due by period						
(stated in thousands)	2013	2014	2015	2016	2017	Thereafter	Total
Senior Notes	$ -	$ -	$ -	$ -	$ -	$ 265,000	$ 265,000
Senior Notes interest	-	20,869	20,869	20,869	20,869	31,303	114,779
Trade payables and other current liabilities	36,099	-	-	-	-	-	36,099
Dividends payable	5,502	-	-	-	-	-	5,502
Operating leases	1,215	4,301	3,412	2,854	2,400	16,348	30,530
Purchase commitments	19,721	-	-	-	-	-	19,721
Other long term debt	276	936	373	48	-	-	1,633
Total	$ 62,813	$ 26,106	$ 24,654	$ 23,771	$ 23,269	$ 312,651	$ 473,264

Outstanding Share Data

	October 30, 2013	September 30, 2013	December 31, 2012
Common shares outstanding	73,366,253	73,366,253	59,582,143
Warrants outstanding	128,199	128,199	1,527,811
Stock options outstanding	4,327,100	4,327,100	2,522,733

Off Balance Sheet Arrangements

As at September 30, 2013, Western had no off balance sheet arrangements in place.

Financial Instruments

Fair Values

The Company's cash and cash equivalents and derivatives 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. 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.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

During the third quarter of 2013, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, except as noted below.

In accordance with National Instrument 52-109, CERTIFICATION OF DISCLOSURE IN ISSUERS' ANNUAL AND INTERIM FILINGS, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of IROC. Western acquired 100% of the outstanding common shares of IROC on April 22, 2013. IROC's contribution to the Company's unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2013 was approximately 15% and 26% respectively, of the consolidated net revenues and approximately 20% and 6% respectively, of consolidated pre-tax earnings.

Additionally, at September 30, 2013, IROC's current assets and current liabilities were approximately 19% and 20% of consolidated current assets and liabilities respectively, and its non-current assets and non-current liabilities were approximately 19% and 7% of consolidated non-current assets and non-current liabilities respectively.

The scope limitation is primarily based on the time required to assess IROC's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") in a manner consistent with Western's other operations.

Further details related to the acquisition are disclosed in Note 5 of the Company's notes to the Unaudited Condensed Consolidated Interim Financial Statements as at and for the three and nine months ended September 30, 2013.

Critical Accounting Estimates

This Management's Discussion and Analysis of the Company's financial condition and results of operations is based on its condensed consolidated financial statements 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 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 business combinations, impairment, depreciation, current and deferred taxes and the determination of the fair value of stock options.

The accounting estimates believed to be the most difficult, subjective or have complex judgements and which are the most critical to the reporting of results of operations and financial positions 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. 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 September 30, 2013, the Company completed its assessments and did not identify indicators of impairment for the long-lived assets of the Company.

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 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 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 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 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, 2012 as filed on SEDAR at www.sedar.com. The Company's primary business risks 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 affecting the oil and gas exploration and production industry may also affect the Company's business. The exact effect 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 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 Western Canadian Sedimentary Basin 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 dividends; the demand for Company's services and equipment; the terms of existing and future drilling contracts in Canada and the US; the Company's expansion and maintenance capital plans for the remainder of 2013 and into 2014, and the Company's expected sources of funding to support such capital plans; the Company's expected utilization for its contract drilling and production services divisions; industry activity levels and pricing; commodity pricing; and forward statements under the heading "Critical Accounting Estimates".

The material assumptions in making forward-looking statements are disclosed in this MD&A under the headings "Overall Performance and Results of Operations", "Subsequent Events", "Outlook", "Liquidity and Capital Resources" and "Critical Accounting Estimates", and include, but are not limited to, assumptions relating to, demand levels and pricing for oilfield services; commodity pricing; general economic and financial market conditions; the Company's ability to finance its operations; and the ability of the Company to attract and retain skilled labour and qualified management.

Although Western believes that the expectations and assumptions on which such forward-looking statements and information are based 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, 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

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