Q1 - 2014

Western ENERGY SERVICES CORP.

First Quarter Interim Report

Dated: May 1, 2014

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, 2013 and 2012, the Company's management discussion and analysis ("MD&A") for the year ended December 31, 2013, as well as the condensed consolidated financial statements and notes as at and for the three months ended March 31, 2014 and 2013. This MD&A is dated May 1, 2014. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Financial Highlights	**Three months ended March 31**		
(stated in thousands, except share and per share amounts)	**2014**	**2013**	**Change**
Revenue	161,416	98,006	65%
Operating Revenue[1]	149,627	90,080	66%
Gross Margin[1]	67,629	40,945	65%
Gross Margin as a percentage of Operating Revenue	45%	45%	-
EBITDA[1]	59,548	34,384	73%
EBITDA as a percentage of Operating Revenue	40%	38%	5%
Cash flow from operating activities	38,634	22,444	72%
Capital expenditures	20,129	18,156	11%
Net income	25,500	14,903	71%
-basic net income per share	0.35	0.25	40%
-diluted net income per share	0.34	0.24	42%
Weighted average number of shares			
-basic	73,506,069	59,610,763	23%
-diluted	74,282,618	60,872,610	22%
Outstanding common shares as at period end	73,840,827	59,655,921	24%
Dividends declared	5,538	4,474	24%
Dividends declared per common share	0.075	0.075	-
Operating Highlights			
Contract Drilling			
Canadian Operations			
Average contract drilling rig fleet	48	45	7%
Operating Revenue per operating day (CDN$)[2]	28,975	28,492	2%
Drilling rig utilization rate per revenue day[3]	89%	80%	11%
Drilling rig utilization rate per operating day[4]	81%	71%	14%
CAODC industry average utilization rate[4]	61%	59%	3%
United States Operations			
Average contract drilling rig fleet	5	5	-
Operating Revenue per operating day (US$)[2]	28,806	30,375	(5%)
Drilling rig utilization rate per revenue day[3]	92%	64%	44%
Drilling rig utilization rate per operating day[4]	77%	48%	60%
Production Services			
Average well servicing rig fleet	65	10	550%
Operating Revenue per service hour (CDN$)[2]	822	633	30%
Service rig utilization rate[5]	63%	28%	125%

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

(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)	March 31, 2014	March 31, 2013	December 31, 2013
Working capital	80,329	79,731	50,616
Property and equipment	787,886	576,795	783,225
Total assets	1,019,192	748,112	986,792
Long term debt	263,119	182,068	262,877

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 March 31	
(stated in thousands)	**2014**	**2013**
Operating Revenue		
Drilling	113,345	88,541
Production services	36,548	1,539
Less: inter-company eliminations	(266)	-
	149,627	**90,080**
Third party charges	11,789	7,926
Revenue	**161,416**	**98,006**

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 activities similar to Gross Margin but also factors in the cash administrative expenses incurred in the period.

Operating Earnings

Management believes that in addition to net income, Operating Earnings is a useful supplemental measure as it provides an indication of the results generated by the Company's principal operating activities similar to 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 March 31	
(stated in thousands)	**2014**	**2013**
Gross Margin	67,629	40,945
Add (subtract):		
Administrative expenses	(9,073)	(7,299)
Depreciation - administrative	445	395
Stock based compensation - administrative	547	343
EBITDA	59,548	34,384
Depreciation - operating	(17,880)	(10,856)
Depreciation - administrative	(445)	(395)
Operating Earnings	41,223	23,133
Stock based compensation - operating	(222)	(154)
Stock based compensation - administrative	(547)	(343)
Finance costs	(5,403)	(3,759)
Other items	(489)	1,086
Income taxes	(9,062)	(5,060)
Net income	25,500	14,903

Overall Performance and Results of Operations

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

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

During the first quarter of 2014 commodity prices have improved as compared to the same period in the prior year. The price for light crude oil, such as Edmonton Par, increased by 13% year over year, while the price for heavy crude oil, such as the Western Canadian Select price, increased by 36% year over year. Natural gas prices have also improved significantly, with the AECO 30-day spot rate increasing on average by 83% year over year as heating demand increased due to a cold winter, resulting in decreasing storage levels in North America. The demand for oil, along with an emphasis on liquids rich natural gas, has resulted in increased drilling of horizontal wells in both conventional and unconventional resource plays. Horizontal wells in the WCSB, as a percentage of all wells drilled, increased in the first quarter of 2014 to 73% compared to 66% in the first quarter of 2013. This has resulted in continued demand in the WCSB for Western’s ELR drilling rigs, as industry utilization rates averaged 61% during the first quarter of 2014, which is consistent with the five year average of 62% and the prior year when industry utilization averaged 59%. During the first quarter of 2014, Western’s entire drilling rig fleet was focused on drilling horizontal wells. In Canada, Western’s average operating days per well drilled increased by 6% to 15.4 operating days per well in the first quarter of 2014 as compared to 14.5 operating days per well in the first quarter of 2013. While Western’s average meters drilled per well in Canada increased by 10% to 2,901 in the first quarter of 2014 as compared to 2,647 in the prior year. On a relative basis, meters drilled per well increased by more than the average days per well, reflecting increased efficiencies in Western’s drilling operations. In the United States, Western

averaged 24.7 operating days per well drilled in the first quarter of 2014 as compared to 25.8 operating days per well in the same period of the prior year, a 4% decrease. The average meters drilled per well in the United States also decreased by 2% to 5,618 meters in the first quarter of 2014, compared to 5,758 meters in the first quarter of 2013. 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 first quarter of 2014 include:

- First quarter Operating Revenues increased by $59.5 million (or 66%) to $149.6 million in 2014 as compared to $90.1 million in 2013. The increase is due to the increased size and scale of Western's production services segment following the acquisition of IROC in April 2013 which resulted in a $35.0 million increase in Operating Revenue in the period. Additionally, Operating Revenue in the contract drilling segment increased by $24.8 million due to higher utilization in both Canada and the United States coupled with a larger average drilling rig fleet in Canada.
- First quarter EBITDA increased by $25.1 million (or 73%) to $59.5 million in 2014 (40% of Operating Revenue), as compared to $34.4 million in 2013 (38% of Operating Revenue). The increase in EBITDA is mainly due to the increased activity in the contract drilling segment resulting in a $13.3 million increase in EBITDA, coupled with the $11.8 million increased contribution from the production services segment following the acquisition of IROC. Year over year in the contract drilling segment, both Operating Revenue per operating day and operating expenses per operating day were relatively constant with Operating Revenue per operating day increasing by 2% and operating expenses per operating day decreasing by 1%.
- Administrative expenses, excluding depreciation and stock based compensation, in the first quarter of 2014 increased by $1.5 million to $8.1 million (5% of Operating Revenue) as compared to $6.6 million in the first quarter of 2013 (7% of Operating Revenue) mainly due to increased administrative expenses subsequent to the acquisition of IROC. However, as a percentage of revenue, administrative expenses have decreased due to the increased scale of Western's operations.
- Net income increased by $10.6 million to $25.5 million in the first quarter of 2014 ($0.35 per basic common share) as compared to net income of $14.9 million in the same period in the prior year ($0.25 per basic common share). The increase is mainly attributed to the increase in EBITDA of $25.1 million, which was partially offset by an increase in depreciation expense of $7.1 million due to increased activity, an increase of $4.0 million in income tax expense, an increase of $1.6 million in finance costs due to the additional $90.0 million in senior notes issued in September 2013 and increases in stock based compensation and other items totalling $1.8 million.
- First quarter capital expenditures of $20.1 million include $16.6 million of expansion capital, $1.9 million of maintenance capital and $1.6 million for critical spares. The majority of the first quarter 2014 capital expenditures relate to the contract drilling segment, which incurred $17.3 million of capital expenditures. These expenditures mainly relate to Western's drilling rig build program, which totalled $10.5 million in the period incurred for the construction of two drilling rigs which were commissioned in the first quarter of 2014, as well as the installation of the first of two budgeted 1,500 hp AC pad conversions in the United States, which was commissioned subsequent to quarter end. The remaining capital spending in the contract drilling segment related to ancillary drilling equipment. Additionally, $2.8 million was incurred in the production services segment mainly relating to the purchase of additional oilfield rental equipment.

Subsequent Events

- On May 1, 2014, the Board of Directors of Western declared a quarterly dividend of $0.075 per share, payable on July 14, 2014 to shareholders of record at the close of business on June 30, 2014. On a prospective basis, the declaration of dividends will be determined on a quarter-by-quarter basis by the Board of Directors.

Outlook

Western's drilling rig fleet is specifically suited for drilling horizontal wells of increased complexity. In total, 94% 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 41% of Western's fleet is currently under long term take-or-pay contracts with an average remaining term of approximately 2.2 years, providing 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 2014 totals approximately $104 million comprised of $62 million in expansion capital and $42 million in maintenance capital, which includes $10 million for critical spare equipment. Expansion capital mainly relates to the construction of one 5,500m ELR AC triple drilling rig and one 4,500m telescopic ELR double drilling rig in Canada, as well as the completion of two additional 1,500 hp AC pad conversions in the United States. Western believes the 2014 capital budget provides a prudent use of cash resources and ensures that it has the flexibility to execute on

strategic opportunities as they arise. This budget demonstrates the Company's commitment to maintaining Western's premier drilling and service rig fleet while expanding Western's strategic presence in the oilfield rental equipment market. Western will continue to evaluate and expand its operations in a prudent manner and make any required adjustments to its capital program as these opportunities unfold in 2014.

The increased commodity price environment and improving economic conditions in North America led to increased oilfield services activity in the first quarter of 2014. Western believes oilfield services activity in the second half of 2014 and beyond will remain strong, providing additional drilling rig build opportunities at attractive rates that meet our return on investment criteria. Activity is expected to remain strong as liquefied natural gas projects gain approval, crude oil transportation capacity increases through rail and pipeline development, drilling activity increases in various 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, and the challenge to attract and retain skilled labour. The Company believes Western's modern drilling and well servicing rig fleet, strong utilization, and corporate culture will provide a distinct advantage in retaining and attracting qualified individuals. Western's view is that its modern fleet, strong customer base and solid reputation provide a competitive advantage which will enable the Company to continue its growth strategy and higher than industry average utilization.

Segmented Information

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

Contract Drilling

	Three months ended March 31		
(stated in thousands)	**2014**	**2013**	**Change**
Revenue			
Operating Revenue[1]	113,345	88,541	28%
Third party charges	9,958	7,926	26%
Total revenue	123,303	96,467	28%
Expenses			
Operating			
Cash operating expenses	69,121	55,641	24%
Depreciation	13,646	10,670	28%
Stock based compensation	138	140	(1%)
Total operating expenses	82,905	66,451	25%
Administrative			
Cash administrative expenses	4,727	4,708	-
Depreciation	66	109	(39%)
Stock based compensation	71	(40)	(278%)
Total administrative expenses	4,864	4,777	2%
Gross Margin[1]	54,182	40,826	33%
Gross Margin as a percentage of Operating Revenue	48%	46%	4%
EBITDA[1]	49,455	36,117	37%
EBITDA as a percentage of Operating Revenue	44%	41%	7%
Operating Earnings[1]	35,743	25,338	41%
Capital expenditures	17,340	17,655	(2%)
Canadian Operations			
Contract drilling rig fleet:			
Average	48	45	7%
End of period	49	45	9%
Operating Revenue per operating day (CDN$)	28,975	28,492	2%
Drilling rig operating days[3]	3,532	2,875	23%
Number of meters drilled	664,353	524,072	27%
Number of wells drilled	229	198	16%
Average operating days per well	15.4	14.5	6%
Drilling rig utilization rate per revenue day[2]	89%	80%	11%
Drilling rig utilization rate per operating day[3]	81%	71%	14%
CAODC industry average utilization rate[3]	61%	59%	3%
United States Operations			
Contract drilling rig fleet:			
Average	5	5	-
End of period	5	5	-
Operating Revenue per operating day (US$)	28,806	30,375	(5%)
Drilling rig operating days[3]	346	217	59%
Number of meters drilled	78,649	46,060	71%
Number of wells drilled	14	8	67%
Average operating days per well	24.7	25.8	(4%)
Drilling rig utilization rate per revenue day[2]	92%	64%	44%
Drilling rig utilization rate per operating day[3]	77%	48%	60%

(1) See "Financial Measures Reconciliations" on page 2 of this MD&A.
(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 first quarter of 2014, Operating Revenues in the contract drilling segment totalled $113.3 million; a $24.8 million (or 28%) increase as compared to the first quarter of 2013, due to an increase in operating days in both Canada and the United States. In Canada, an increased average drilling rig fleet of 48 rigs in the current quarter, compared to 45 in the first quarter of 2013, and steady demand for the Company's contract drilling services resulted in increased operating days, as compared to the first quarter of 2013. During the first quarter of 2014, the Company's utilization in Canada increased to 81%, as compared to 71% in the first quarter of 2013, which coupled with the 7% increase in the Company's average drilling rig fleet resulted in operating days increasing by 23% to 3,532 in the first quarter of 2014 as compared to 2,875 in the first quarter of 2013. The Company's first quarter 2014 utilization in Canada of 81% reflects an approximate 2,000 bps premium to the Canadian Association of Oilwell Drilling Contractors ("CAODC") industry average of 61%. The Company's utilization premium over the CAODC average for the first quarter of 2014 has improved by approximately 800 bps over the 1,200 bps spread in the first quarter of 2013. This increase is attributed to the evolution of the Company's customer base which now includes a higher proportion of large independent and major exploration and production companies that drill through cycles and have a long term focus, coupled with Western's continued investment in its ELR fleet, which enhances the marketability of its rigs. For the first quarter of 2014, Operating Revenue per operating day in Canada increased by $483 (or 2%) to $28,975 as compared to $28,492 in the same period of the prior year. This increase is attributable to higher day rates on the drilling rigs Western has commissioned in the past 12 months. Third party charges in Canada per operating day remained constant for the first quarter of 2014 totaling $2,774 compared to $2,747 in the first quarter of 2013.

During the first quarter of 2014, operating days increased in the United States by 59% to 346 days, as compared to 217 days in the first quarter of 2013. Similarly, utilization for the first quarter of 2014 increased to 77% compared to the first quarter of 2013 average of 48%, mainly due to fewer down days. With the exception of downtime on one rig for the installation of a 1,500 hp AC pad conversion, the fleet in the United States was fully utilized in the first quarter of 2014. Operating Revenues per operating day decreased to US$28,806 for the first quarter of 2014 compared to US$30,375 per operating day in the same period of the prior year, a 5% decrease as mobilization days as a percentage of total revenue days decreased as the Company transitions to walking pad rigs. Removing the impact of mobilization revenue and mobilization days, day rates were unchanged in the first quarter of 2014 as compared to the same period in the prior year. Operating Revenue per operating day increased by 8% from the fourth quarter of 2013 as fleet upgrades and strong operational performance continue to improve day rates quarter over quarter.

During the first quarter of 2014, EBITDA in the contract drilling segment increased by $13.3 million (or 37%) to $49.4 million (44% of the segment's Operating Revenue), as compared to $36.1 million (41% of the segment's Operating Revenue) in the first quarter of 2013. The increase in EBITDA and EBITDA as a percentage of Operating Revenue is attributed to the increase in operating days in Canada and the United States, coupled with improved day rates in Canada, while operating costs per operating day and gross cash administrative expenses have remained constant.

In the first quarter of 2014, cash administrative expenses, excluding depreciation and stock based compensation, remained consistent at $4.7 million compared to the same period in the prior year. On a per operating day basis, the larger drilling rig fleet and increased utilization resulted in cash administrative expenses decreasing approximately 20% year over year.

Depreciation expense in the contract drilling segment for the first quarter of 2014 increased by $2.9 million to $13.6 million, as compared to $10.7 million in the first quarter of 2013, due to the increase in operating days in the period. On a per operating day basis, depreciation expense remained relatively constant increasing by 2% to $3,519 in the first quarter of 2014 from $3,451 per day in the first quarter of 2013.

Total capital expenditures of $17.3 million in the contract drilling segment for the first quarter of 2014 includes $14.3 million related to expansion capital, $1.4 million related to maintenance capital and $1.6 million related to critical spares. Of the expansion capital incurred during the first quarter of 2014, $10.5 million relates to the Company's rig build program which commissioned two drilling rigs in the first quarter of 2014, as well as the installation of the first of two budgeted 1,500 hp AC pad conversions in the United States, with the remaining capital spending relating to ancillary drilling equipment.

Production Services

(stated in thousands)	Three months ended March 31 2014	2013	Change
Revenue			
Operating Revenue[1]	36,548	1,539	2,275%
Third party charges	1,831	-	100%
Total revenue	38,379	1,539	2,394%
Expenses			
Operating			
Cash operating expenses	24,932	1,419	1,657%
Depreciation	4,234	187	2,164%
Stock based compensation	84	14	500%
Total operating expenses	29,250	1,620	1,706%
Administrative			
Cash administrative expenses	1,918	406	372%
Depreciation	103	13	692%
Stock based compensation	85	(2)	(4,350%)
Total administrative expenses	2,106	417	405%
Gross Margin[1]	13,447	120	11,106%
Gross margin as a percentage of Operating Revenue	37%	8%	363%
EBITDA[1]	11,529	(286)	(4,131%)
EBITDA as a percentage of Operating Revenue	32%	(19%)	(268%)
Operating Earnings[1]	7,192	(486)	(1,580%)
Capital expenditures	2,841	387	634%
Well servicing rig fleet:			
Average	65	10	550%
End of period	65	10	550%
Operating Revenue per service hour (CDN$)	822	633	30%
Total service hours	36,810	2,430	1,415%
Service rig utilization rate[2]	63%	28%	125%

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

(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 March 31, 2014 as compared to 10 rigs immediately prior to the acquisition and at March 31, 2013. Previously, Western's well servicing rigs operated through Matrix. Subsequent to the acquisition of IROC, the Company's well servicing rigs, including the Matrix well servicing rigs, operate through Eagle. 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 first quarter of 2014 increased significantly to $36.5 million as compared to $1.5 million in the first quarter of 2013 when Western had just commenced well servicing operations. EBITDA also improved following the IROC acquisition to $11.5 million for the first quarter of 2014; a significant improvement from the negative EBITDA in the same period of the prior year.

Well servicing utilization improved to 63% in the first quarter of 2014, a 3,500 bps improvement from the same period in the prior year. For comparison purposes, on a pro forma basis, Eagle and Matrix's utilization in the first quarter of 2013 averaged 66%. The quarter over quarter decrease in activity on a pro forma basis is due to lower industry activity levels in production services in the WCSB. As a result of the increased well servicing rig fleet subsequent to the acquisition of IROC, well servicing hours increased substantially to 36,810 in the first quarter of 2014 as compared to 2,430 in the first quarter of 2013. Furthermore, Operating Revenue per service hour increased by 30% in the first quarter of 2014 to average $822 as compared to $633 in the same period of the prior year. The increase in Operating Revenue per service hour is attributed to the increased size of the Company's well servicing operations as Eagle operates 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 first quarter of 2014, Operating Revenue in the Aero division totalled $6.3 million with no comparative Operating Revenue in the same period of the prior year, as Aero was acquired as part of the IROC acquisition in April 2013.

During the first quarter of 2014, capital expenditures in the production services segment totalled $2.8 million and mainly relate to expansion capital associated with the purchase of additional oilfield rental equipment.

Corporate

	Three months ended March 31		
(stated in thousands)	**2014**	**2013**	**Change**
Administrative			
Cash administrative expenses	1,436	1,446	(1%)
Depreciation	276	273	1%
Stock based compensation	391	385	2%
Total administrative expenses	2,103	2,104	-
Finance costs	5,403	3,759	44%
Other items	489	(1,086)	(145%)
Income taxes			
Current tax expense	2,820	668	322%
Deferred tax expense	6,242	4,392	42%
Total income taxes	9,062	5,060	79%
Capital expenditures	(52)	114	(146%)

Corporate administrative expenses for the first quarter of 2014 remained constant at $1.4 million compared to the same period in the prior year, due to effective cost management during the period.

During the first quarter of 2014, finance costs on a consolidated basis increased by $1.6 million compared to the first quarter of 2013, largely due to higher debt levels following the acquisition of IROC on April 22, 2013 and the resulting issuance of the $90.0 million in principal amount of senior notes on September 18, 2013.

Other items for the first quarter of 2014 relate to foreign exchange and derivative gains and losses.

For the first quarter of 2014, income taxes on a consolidated basis totalled $9.1 million representing an effective tax rate of 26.2% as compared to 25.3% in the same period of 2013. The increase in the effective tax rate is mainly due to a greater portion of the Company's taxable income earned in the United States, which has higher corporate tax rates.

Liquidity and Capital Resources

The Company's liquidity needs can be sourced in several ways including: funds from operations, borrowing against existing credit facilities, new debt instruments, equity issuances and proceeds from the sale of assets. As at March 31, 2014, Western had cash and cash equivalents of $20.7 million, an increase of $3.3 million from December 31, 2013. As a result, Western's consolidated net debt balance at March 31, 2014 was $243.4 million, a decrease of $3.0 million as compared to December 31, 2013. During the first quarter of 2014, Western incurred capital expenditures of $20.1 million, paid dividends of $5.5 million, made cash interest payments of $9.5 million, and paid income taxes of $0.2 million. These cash outflows were offset by cash generated from operating activities of $38.8 million and $2.5 million raised on the exercise of stock options and warrants.

As at March 31, 2014, Western had a working capital balance of $80.3 million, a $29.7 million increase as compared to December 31, 2013 mainly due to higher first quarter activity. As at March 31, 2014, the Company has $265.0 million in senior notes outstanding, $135.0 million in available credit facilities and is in compliance with all debt covenants. Currently, Western's net debt to trailing 12 month EBITDA is 1.7. 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 2014 capital budget.

For the quarter ended March 31, 2014, the Company had a significant customer comprising 12.2% of the Company's total revenue. This customer is a publicly traded company with a market capitalization in excess of $45 billion. For the quarter ended March 31, 2013, the Company had three significant customers comprising 12.2%, 11.1% and 10.1% respectively, of the Company's total revenue. The Company's significant customers may change quarter to quarter.

Summary of Quarterly Results

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

Three months ended	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012
(stated in thousands, except per share amounts)								
Revenue	161,416	129,713	101,389	50,835	98,006	83,338	69,573	44,819
Operating Revenue[(1)]	149,627	119,831	96,473	48,010	88,810	76,458	76,455	40,655
Gross Margin[(1)]	67,629	52,980	37,547	16,087	40,945	37,360	29,382	14,108
EBITDA[(1)]	59,548	43,543	30,297	9,199	34,384	31,381	23,944	9,364
Cash flow from operating activities	38,634	36,866	6,667	48,381	22,444	11,021	9,248	58,930
Net income (loss)	25,500	15,797	7,927	(3,381)	14,903	13,092	8,251	827
per share - basic	0.35	0.22	0.11	(0.05)	0.25	0.22	0.14	0.01
per share - diluted	0.34	0.21	0.11	(0.05)	0.24	0.22	0.14	0.01
Total assets	1,019,192	986,792	947,836	903,882	748,112	749,448	727,113	699,356
Long term financial liabilities[(2)]	263,119	262,877	263,050	232,529	182,068	186,948	176,739	171,764
Dividends declared	5,538	5,504	5,502	5,501	4,474	4,469	4,457	-

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

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

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. Subsequent to the second quarter of 2013, revenues have increased significantly due to the acquisition of IROC in April 2013 and increased activity in the contract drilling segment.

EBITDA has followed a similar trend to revenue, steadily increasing after spring breakup into the third and fourth quarters of 2012 and 2013. EBITDA is generally highest in the first quarter when activity is the highest. EBITDA in the first half of 2013 was not as high as previous years due to lower activity and general economic uncertainty as producers reduced their capital budgets. However, EBITDA has shown continuous improvement from the third quarter of 2013 through to the first quarter of 2014.

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.

Contractual Obligations

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

(stated in thousands)	2014	2015	2016	2017	2018	Thereafter	Total
Senior Notes	$ -	$ -	$ -	$ -	$ -	$ 265,000	$ 265,000
Senior Notes interest	10,434	20,869	20,869	20,869	20,869	10,434	104,344
Trade payables and other current liabilities	55,067	-	-	-	-	-	55,067
Dividends payable	5,538	-	-	-	-	-	5,538
Operating leases	3,186	4,082	3,083	2,405	2,374	14,168	29,298
Purchase commitments	20,698	-	-	-	-	-	20,698
Other long term debt	795	488	210	55	-	-	1,548
Total	$ 95,718	$ 25,439	$ 24,162	$ 23,329	$ 23,243	$ 289,602	$ 481,493

Outstanding Share Data

	May 1, 2014	March 31, 2014	December 31, 2013
Common shares outstanding	74,125,044	73,840,827	73,386,191
Warrants outstanding	2,518	2,518	108,261
Stock options outstanding	4,360,155	4,588,539	4,425,598

Off Balance Sheet Arrangements

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

Transactions with Related Parties

During the quarter ended March 31, 2014, the Company had no transactions with related parties.

Financial Instruments

Fair Values

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

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

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

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

The Company has the following non-derivative financial assets:

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

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

(ii) Loans and receivables:

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

(iii) Available for sale:

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

The Company has the following non-derivative financial liabilities:

(i) Other financial liabilities:

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

(ii) Equity instruments:

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

Credit Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

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

Liquidity Risk

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

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

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 months ended March 31, 2014 was approximately 23% of the consolidated net revenues and approximately 16% of consolidated pre-tax earnings.

Additionally, at March 31, 2014, IROC's current assets and current liabilities were approximately 21% and 25% of consolidated current assets and liabilities respectively, and its non-current assets and non-current liabilities were approximately 25% 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 6 of the Company's notes to the Audited Financial Statements as at and for the year ended December 31, 2013.

Taking into account the previously noted scope limitation, during the first quarter of 2014 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.

Critical Accounting Estimates

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

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

Business Combinations

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

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the organization that may lead to impairment of assets. Where an impairment indicator exists, or annually in the case of goodwill, the recoverable amount of the asset or cash generating unit is determined. 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 March 31, 2014, 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 consolidated financial statements involves determining an estimate of, or provision for, income taxes in each of the jurisdictions in which the Company operates. The process also involves making an estimate of taxes currently payable and taxes expected to be payable or recoverable in future periods, referred to as deferred taxes. Deferred taxes result from the effects of temporary differences due to items that are treated differently for tax and accounting purposes. The tax effects of these differences are reflected in the consolidated balance sheet as deferred tax assets and liabilities. An assessment must also be made to determine the likelihood that the Company's future taxable income will be sufficient to permit the recovery of deferred tax assets. To the extent that such recovery is not probable, recognized deferred tax assets must be reduced to the recoverable amount. Judgement is required in determining the provision for income taxes and recognition of deferred tax assets and liabilities. Management must also exercise judgement in its assessment of continually changing tax interpretations, regulations and legislation, to ensure deferred tax assets and liabilities are complete and fairly presented. The effects of differing assessments and applications could be material.

Share-based payments

Stock based compensation expense associated with stock options 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, 2013 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 impacting the oil and gas exploration and production industry may also affect the Company's business. The exact impact of these risks cannot be accurately predicted.
- In addition to global economic events and uncertainty, the capacity within North America to ship commodities to market introduces uncertainties in levels of activity and pricing for oil and natural gas production.
- The Company is vulnerable to market prices. Fixed costs, including costs associated with operations, leases, and labour costs account for a significant portion of the Company's expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, or other factors could significantly affect its revenues and financial results.
- Competition among related service companies is significant. Some competitors are larger and have greater revenues than the Company and overall greater financial resources. The Company's ability to generate revenues depends on its ability to attract and win contracts and to perform services.
- Currently, the Company is focused on providing services in the WCSB as well as certain geographic areas in the United States, which may expose the Company to more extreme market fluctuations relating to items such as weather and general economic conditions which may be more extreme than the broader industry conditions.
- The success of the Company is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Company.
- The Company's business is subject to the operating risks inherent to the oilfield service industry. On occasion, substantial liabilities to third parties may be incurred. The Company will have the benefit of insurance maintained by it and industry standard contracts, however, it may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.
- The oilfield service industry has experienced a high degree of invention and innovation. It is possible that new technology will be developed which will compete with the Company's products and services.
- A portion of the operations of the Company are in the United States which subject the Company to currency fluctuations and different tax and regulatory laws.

Forward-Looking Statements and Information

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

In particular, forward-looking information in this MD&A includes, but is not limited to, statements relating to future dividends; the future demand for the 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 2014, including the ability of current capital resources to cover Western's financial obligations and the 2014 capital budget; the Company's expected sources of funding to support such capital plans; expectations as to the increase in crude oil transportation capacity through rail and pipeline development; expectations as to the necessary approvals for liquefied natural gas projects being obtained; the expectation of continued foreign investment into the Canadian oilfield industry; the expectation of increase in oilfield services activities in general and drilling activity in various resource plays, in particular, including the type of drilling; the Company's expected utilization for its drilling and well servicing divisions; strong oilfield activity levels and pricing; increased commodity pricing; the improving economic conditions in North America; and forward-looking statements under the heading "Critical Accounting Estimates".

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

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, the risk that the demand for oilfield services will not continue to improve for the remainder of 2014, and other general industry, economic, market and business conditions. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Additional information on these and other risk factors that could affect Western's operations and financial results are included in Western's annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements and information contained in this MD&A are made as of the date hereof and Western does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Additional data

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