First Quarter Interim Report

Dated: May 10, 2012

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, 2011 and 2010, the Company's management discussion and analysis ("MD&A") for the year ended December 31, 2011 as well as the Company's condensed consolidated financial statements and notes as at and for the three months ended March 31, 2012 and 2011. This management's discussion and analysis ("MD&A") is dated May 10, 2012. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Selected Financial Information	**Three months ended March 31**		
Financial Highlights (stated in thousands, except share and per share amounts)	**2012**	**2011**	**Change**
Revenue	110,887	50,093	121%
Gross Margin[1]	50,213	21,388	135%
Gross Margin as a percentage of revenue	45%	43%	5%
EBITDA[1]	44,242	18,926	134%
EBITDA as a percentage of revenue	40%	38%	5%
Cash flow from operating activities	25,717	9,614	167%
Capital expenditures	36,403	14,939	144%
Net income	23,008	11,344	103%
-basic net income per share[2]	0.39	0.30	30%
-diluted net income per share[2]	0.38	0.28	36%
Weighted average number of shares:			
-basic[2]	58,533,287	38,001,777	54%
-diluted[2]	60,764,266	39,932,812	52%
Outstanding common shares as at period end[2]	58,533,287	47,305,944	24%
Dividends declared	-	-	-
Operating Highlights			
Contract Drilling			
Canadian Operations			
Contract drilling rig fleet:			
-Average	39	23	70%
-End of period	40	24	67%
Drilling revenue per operating day (CDN$)	34,329	27,988	23%
Drilling rig utilization rate[3]	81%	85%	(5%)
CAODC industry average utilization rate[3]	65%	67%	(3%)
United States Operations			
Contract drilling rig fleet:			
-Average	5	-	100%
-End of period	5	-	100%
Drilling revenue per operating day (US$)	33,571	-	100%
Drilling rig utilization rate[3]	78%	-	100%
Well Servicing			
Well Servicing rig fleet:			
-Average	2	-	100%
-End of period	2	-	100%
Revenue per service hour (CDN$)	581	-	100%
Service rig utilization rate[4]	28%	-	100%

(1) See Financial Measures Reconciliations on page 2.

(2) Prior year amounts adjusted to reflect the 20:1 share consolidation completed on June 22, 2011.

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

(4) Utilization rate calculated based on full utilization being 10 hour days, 365 days per year.

Financial Position at (stated in thousands)	Mar 31, 2012	Mar 31, 2011	Change	Dec 31, 2011	Change
Working capital	101,925	74,452	37%	39,874	156%
Property and equipment	500,130	203,319	146%	473,930	6%
Total assets	706,061	329,114	115%	619,645	14%
Long term debt	171,570	28,030	512%	108,039	59%

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 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.

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, how those activities are financed, the impact of foreign exchange, how the results are taxed, how funds are invested, and how non-cash charges and one-time gains or losses affect results.

EBITDA

Management believes that in addition to net income, earnings from continuing operations before interest and finance costs, taxes, depreciation, other non-cash items and one-time gains and losses ("EBITDA") as derived from information reported in the condensed consolidated statements of operations and comprehensive income is a useful supplemental measure as it provides an indication of the results generated by 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 March 31	
(stated in thousands)	**2012**	**2011**
Gross Margin	50,213	21,388
Add (subtract):		
Administrative expenses	(6,586)	(2,642)
Depreciation - administrative	194	54
Stock based compensation - administrative	421	126
EBITDA	44,242	18,926
Depreciation - operating	(9,664)	(4,783)
Depreciation - administrative	(194)	(54)
Operating Earnings	34,384	14,089
Stock based compensation - operating	(142)	(49)
Stock based compensation - administrative	(421)	(126)
Finance costs	(2,781)	(562)
Other items	(31)	963
Income taxes	(8,001)	(3,997)
Income from discontinued operations	-	1,026
Net income	23,008	11,344

Overall Performance and Results of Operations

Western is an oilfield service company providing contract drilling services through its wholly owned subsidiaries Horizon Drilling Inc. ("Horizon") in Canada and Stoneham Drilling Corporation ("Stoneham") in the United States, which was acquired on June 10, 2011. In addition, during the first quarter of 2012, Western commenced well servicing operations through its wholly owned subsidiary Matrix Well Servicing Inc. ("Matrix"). On September 13, 2011, Western sold all of the shares owned and debt owing from its wholly owned subsidiary StimSol Canada Inc. ("StimSol"), and as such prior period results relating to StimSol have been reclassified as discontinued operations.

The drilling industry in Canada has continued to see strong activity through the first quarter of 2012, specifically the demand for rigs that have the ability to drill long reach horizontal wells safely and efficiently. During the first quarter of 2012, Western's utilization in the contract drilling segment averaged 81% in Canada as compared to the CAODC industry average of 65%. In the United States, utilization in the first quarter of 2012 averaged 78%. Taking mobilization days into consideration, the Company's rigs operating in the United States worked 98% of the available days in the quarter.

Although the price for natural gas remains soft, oil prices on average increased by approximately 9% in the first quarter of 2012, as compared to the same period of the prior year. This has resulted in continued strong demand for drilling rigs in the western Canadian sedimentary basin, with the CAODC industry average utilization rate remaining relatively consistent at 65% in the first quarter of 2012 as compared to 67% in the same period of the prior year. The number of wells drilled on a rig release basis in Canada decreased by 8% in the period, however this was offset by an increase of 7% in the industry average drilling days per well to 12.3 days reflecting the increased depth and complexity of wells being drilled by the industry, which resulted in a 1% increase in the industry's operating days in the quarter. The increased demand for oil, along with an emphasis on liquids rich natural gas, has primarily resulted in the drilling of horizontal wells in both conventional and unconventional resource plays. During 2012, Western's entire drilling fleet has been focused on drilling horizontal wells. In Canada, Western averaged 15.7 days per well drilled in the first quarter of 2012 as compared to 13.4 days in the same period of the prior year; while in the United States, Western averaged 29.7 days per well drilled which has a direct relationship to the depth capacity of our drilling rig fleet.

Key operational results for the first quarter 2012 include:

- During the first quarter, the Company's drilling rig fleet increased by two due to the commissioning of two new telescopic Efficient Long Reach ("ELR") double drilling rigs. As such, the Company exited the period with 40 drilling rigs in Canada along with 5 drilling rigs in the United States for a total drilling rig fleet of 45. Additionally, the Company currently has five telescopic ELR double drilling rigs under construction which will bring the Company's drilling rig fleet to 50.
- During the first quarter, the Company began well servicing operations with the commissioning of its first two well servicing rigs. Three more well servicing rigs have been commissioned in the second quarter, and the construction of an additional five well servicing rigs has been announced, which will bring the Company's well servicing rig fleet to 10.
- First quarter revenues increased by $60.8 million (or 121%) to $110.9 million in 2012 as compared to $50.1 million in 2011. The increase reflects Western's increased market share in the contract drilling segment as the Company exited the first quarter of 2012 with a fleet of 45 rigs, an 88% increase over the prior year. In Canada, revenues in the first quarter reflect average revenue per operating day of $34,329 and a utilization rate of 81%, as compared to the industry average of 65%. In the United States, revenues in the first quarter reflect a utilization rate of 78% and average revenue per operating day of US$33,571.
- First quarter EBITDA increased by $25.3 million (or 134%) to $44.2 million in 2012 (40% of consolidated revenues), as compared to $18.9 million in 2011 (38% of consolidated revenues). The increase in EBITDA is due to Western's growth in the contract drilling segment which contributed $46.3 million in the first quarter of 2012 (42% of contract drilling revenues), an increase of $26.2 million over the same period in the prior year. The increased EBITDA in the contract drilling segment was offset in part by increased corporate administrative expenses and negative EBITDA in the well servicing segment.
- Corporate administrative expenses, excluding depreciation and stock based compensation, in the first quarter of 2012 increased by $0.2 million to $1.4 million (1.3% of consolidated revenue) as compared to $1.2 million in 2011 (2.3% of consolidated revenue). While corporate administrative expenses have increased, the decrease as a percentage of revenue reflects the scale Western has achieved through its growth strategy and expansion into the United States.
- Net income increased by $11.7 million to $23.0 million in the first quarter of 2012 ($0.39 per basic common share) as compared to $11.3 million in the same period in the prior year ($0.30 per basic common share). The increase, both on an aggregate and per share basis, is attributable to the scale achieved as a result of Western's growth through consolidation strategy which has resulted in increased revenue, improved margins and a more diversified operation which was somewhat offset by operations in the well servicing segment.

- First quarter capital expenditures totalled $36.4 million, the majority of which related to the contract drilling segment, which incurred $32.3 million in capital expenditures. These expenditures mainly relate to Western's drilling rig build program, which incurred $17.5 million in the first quarter. The remaining capital spending in the contract drilling segment related to ancillary drilling equipment. Additionally, $3.4 million was incurred in the well servicing segment on the construction of Western's first five well servicing rigs, all of which have commenced operations as of the second quarter of 2012.
- On January 30, 2012 Western completed a private offering of $175.0 million aggregate principal amount of 7⅞% senior unsecured notes due January 30, 2019 (the "Senior Notes"). The Senior Notes were issued at par. Western used the net proceeds from the offering to repay all of its outstanding indebtedness under its secured credit facilities and for general corporate purposes. As a result of the issuance of the Senior Notes, Western voluntarily reduced its revolving credit facility from $150.0 million to $125.0 million. Western's operating facility of $10.0 million remains unchanged. Western currently has approximately $39.2 million in cash on hand which will be used to finance the announced capital build program.

Outlook

Western currently has a drilling rig fleet of 45 rigs, with an additional 5 telescopic ELR double drilling rigs under construction. Western is the sixth largest drilling contractor in Canada with a fleet of 40 rigs. Currently, Western has five drilling rigs deployed in the United States. As of the second quarter of 2012, Western has commenced operations of its first five well servicing rigs in the Lloydminster, Alberta area and has announced the construction of an additional five well servicing rigs.

Western's drilling rig fleet is specifically suited for the current market which is focused on drilling wells of increased complexity. In total, approximately 96% of Western's fleet are ELR rigs with depth ratings greater than 3,000 meters and all of Western's rigs are capable of drilling resource base horizontal wells. Approximately 56% of Western's fleet is currently under long term take-or-pay contracts, which provide a base level of revenue. These contracts typically generate 250 utilization days per year in Canada, as the annual 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 2012 capital spending is expected to total approximately $125 million, which includes approximately $75 million in expansion capital and $50 million in maintenance capital. Expansion capital in the contract drilling segment aggregates to approximately $65 million and mainly relates to Western's drilling rig build program which includes the completion of seven telescopic ELR double drilling rigs in 2012, two of which have already been commissioned. Of the remaining five drilling rigs currently under construction, one is expected to be completed in each of the second and third quarters of 2012. Two are anticipated to be commissioned in the fourth quarter of 2012, and the final drilling rig under construction is expected to be commissioned in the first quarter of 2013. Expansion capital in the well servicing segment relates to the construction of five new internally guyed single service rigs, which are anticipated to be completed in the latter part of the fourth quarter of 2012 or early in the first quarter of 2013. Maintenance capital relates to various items such as rotational equipment, drill pipe, replacement parts and infrastructure upgrades. Western believes that with continued strong pricing environments for oil and natural gas liquids, additional rig build opportunities in both the contract drilling and well servicing segments will be available.

Drilling activity in Canada and the United States remained strong in the first quarter of 2012, despite spring breakup beginning earlier than in the prior year, which negatively affected Canadian oilfield service activity in the month of March. Western's utilization rates have consistently been above industry average due to the Company's deeper on average modern rig fleet, strong customer base and solid reputation. Following spring breakup, Western expects its drilling rig fleet to fully restart operations. Currently, the largest challenges facing the drilling industry are the growth of the industry's drilling rig fleet, as contract drillers continue to expand their fleets, depressed natural gas prices, and the challenge to attract and retain skilled labour. Despite the weakness in natural gas prices, Western believes that customers targeting oil and liquids-rich natural gas wells will continue to drive demand in 2012 and lead to levels of utilization consistent with 2011. Currently Western's fleet is fully crewed with qualified personnel and three crews on every rig. The Company believes Western's modern fleet and corporate culture will provide a distinct advantage in attracting qualified individuals. Western has a proven track record for delivering high quality equipment and well trained, highly skilled crews to its customers who rely on the Company to drill increasingly complex long reach horizontal wells. As such, Western is well positioned for future growth.

Segmented Information

Western operates in the contract drilling segment in both Canada and the United States as well as the well servicing segment in Canada. Contract drilling services includes drilling rigs along with related equipment. Well servicing includes service rigs along with related equipment for work over services and well completions.

Contract Drilling

	Three months ended March 31		
(stated in thousands)	**2012**	**2011**	**Change**
Revenue	110,638	50,093	121%
Expenses			
Operating			
Cash operating expenses	60,162	28,705	110%
Depreciation	9,629	4,783	101%
Stock based compensation	140	49	186%
Total operating expenses	69,931	33,537	109%
Administrative			
Cash administrative expenses	4,166	1,294	222%
Depreciation	88	19	363%
Stock based compensation	98	31	216%
Total administrative expenses	4,352	1,344	224%
Gross Margin[1]	50,476	21,388	136%
Gross Margin as a percentage of revenue	46%	43%	7%
EBITDA[1]	46,310	20,094	130%
EBITDA as a percentage of revenue	42%	40%	5%
Operating Earnings[1]	36,593	15,292	139%
Capital expenditures	32,326	14,933	116%
Canadian Operations			
Contract drilling rig fleet:			
Average	39	23	70%
End of period	40	24	67%
Drilling revenue per operating day (CDN$)	34,329	27,988	23%
Drilling rig operating days[2]	2,875	1,790	61%
Number of meters drilled	544,826	276,650	97%
Drilling rig utilization rate[2]	81%	85%	(5%)
CAODC industry average utilization rate[2]	65%	67%	(3%)
United States Operations			
Contract drilling rig fleet:			
Average	5	-	100%
End of period	5	-	100%
Drilling revenue per operating day (US$)	33,571	-	100%
Drilling rig operating days[2]	355	-	100%
Number of meters drilled	92,306	-	100%
Drilling rig utilization rate[2]	78%	-	100%

(1) See Financial Measures Reconciliations on page 2.

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

During the first quarter of 2012, revenues in the contract drilling segment totalled $110.6 million, an increase of $60.5 million (or 121%) compared to the prior year. The increase reflects a number of factors including the growth of the Company due to the acquisition of Stoneham Drilling Trust in June 2011 coupled with the Company's capital build program which increased our rig count at the end of the period to 45 rigs from 24 in the prior year, as well as improved day rates and continued strong utilization. Strong demand led to improved day rates in 2012, with first quarter revenue per operating day in Canada averaging $34,329 as compared to $27,988 in the prior year, an increase of 23%; while revenue per operating day in the United States averaged US$33,571. The larger rig fleet and improved day rates was partially offset by a decrease

in the Company's utilization to 81% in Canada, as compared to 85% in the prior year, due to an earlier spring breakup. Despite the slight decrease in utilization in the first quarter of 2012, as compared to the same period of the prior year, the Company's utilization was 25% higher than the CAODC industry average of 65%. Additionally, first quarter utilization in the United States averaged 78%, which was slightly lower than in Canada due to Stoneham having relatively more revenue generating mobilization days. Taking mobilization days into consideration, the Company's rigs operating in the United States worked 98% of the available days in the quarter. During the first quarter of 2012, the Company drilled 183 wells in Canada for a total of 0.5 million meters drilled for an average of 2,972 meters per well, while in the United States the Company drilled 12 wells for a total of 0.1 million meters drilled, or 7,731 meters per well.

During the first quarter of 2012, EBITDA in the contract drilling segment increased significantly due to the increase in revenues. As a result, EBITDA totalled $46.3 million (42% of the segment's revenue), a $26.2 million increase over the prior year, reflecting strong margins, above industry average utilization rates and economies of scale that have been achieved as a result of Western's growth through consolidation strategy.

Capital expenditures in the contract drilling segment totalled $32.3 million in the first quarter of 2012, an increase of $17.4 million as compared to the prior year. Of the capital expenditures incurred in 2012, $17.5 million relates to the Company's rig build program with the remaining capital spending relating to ancillary drilling equipment, including additional top drives, loaders and drill pipe.

Well Servicing

	Three months ended March 31		
(stated in thousands)	**2012**	**2011**	**Change**
Revenue	249	-	100%
Expenses			
Operating			
Cash operating expenses	512	-	100%
Depreciation	35	-	100%
Stock based compensation	2	-	100%
Total operating expenses	549	-	100%
Administrative			
Cash administrative expenses	397	-	100%
Depreciation	16	-	100%
Stock based compensation	3	-	100%
Total administrative expenses	416	-	100%
Gross Margin(1)	(263)	-	(100%)
EBITDA(1)	(660)	-	(100%)
Operating Earnings(1)	(711)	-	(100%)
Capital expenditures	3,417	-	100%

Well Servicing

Well servicing rig fleet:			
Average	2	-	100%
End of period	2	-	100%
Revenue per service hour (CDN$)	581	-	100%
Total service hours	430	-	100%
Service rig utilization rate(2)	28%	-	100%

(1) See Financial Measures Reconciliations on page 2.

(2) Utilization rate calculated based on full utilization being 10 hour days, 365 days per year.

During the first quarter of 2012, the Company began operations in its well servicing subsidiary, Matrix, in the Lloydminster, Alberta area. These operations are in the start-up phase of development and during the first quarter Matrix was focused on the commissioning of its first two well servicing rigs, establishing a presence in the Lloydminster area, and hiring management, field, and office support staff. As such revenue of $0.2 million in the quarter and EBITDA of negative $0.7 million do not reflect a normalized period of activity. Capital expenditures of $3.4 million relate to the completion of the

Company's initial five well servicing rigs, the remainder of which have been commissioned in the second quarter and all of which are expected to be working following spring breakup.

Corporate

	Three months ended March 31		
(stated in thousands)	**2012**	**2011**	**Change**
Administrative			
Cash administrative expenses	1,408	1,168	21%
Depreciation	90	35	157%
Stock based compensation	320	95	237%
Total administrative expenses	1,818	1,298	40%
Finance costs	2,781	562	395%
Other items	31	(963)	(103%)
Capital expenditures	660	6	10900%

During the first quarter of 2012, corporate administrative expenses, excluding depreciation and stock based compensation, increased by $0.2 million to $1.4 million as compared to the same period in the prior year reflecting 1.3% of consolidated revenues as compared to 2.3% in the first quarter of the prior year. While corporate administrative expenses have increased, the decrease as a percentage of revenue reflects the scale Western has achieved through its growth strategy and expansion into the United States.

Finance costs increased by $2.2 million in the first quarter of 2012 to $2.8 million as compared to $0.6 million in the prior year. The increase is due to the issuance of $175.0 million aggregate principal amount of 7⅞% senior unsecured notes due January 30, 2019, which resulted in a higher average total debt balance outstanding as well as a higher effective interest rate on Western's outstanding debt. Other items in the first quarter of 2012 mainly relate to unrealized foreign exchange losses.

The $0.7 million in capital expenditures in the corporate segment mainly relates to leasehold and system improvements.

Liquidity and Capital Resources

On January 30, 2012 Western completed a private offering of $175.0 million aggregate principal amount of 7⅞% senior unsecured notes due January 30, 2019. In conjunction with the closing of the Senior Notes, Western voluntarily reduced its revolving credit facility from $150.0 million to $125.0 million. Western's operating facility of $10.0 million remains unchanged. As at March 31, 2012, Western had cash and cash equivalents of $39.2 million, resulting in a consolidated net debt balance of $137.5 million, an increase of $21.2 million from December 31, 2011. The increase is mainly due to cash from Western's investing activities in the first quarter of 2012, which included capital expenditures of $36.4 million exceeding cash from operating activities by $15.9 million. Additionally at the end of the first quarter of 2012, Western had approximately $135 million in available credit facilities and is in compliance with all debt covenants. As such, cash from operations coupled with Western's cash balances and available credit facilities are expected to be sufficient to cover Western's financial obligations including the 2012 capital budget.

As at March 31, 2012, Western had a working capital balance of $101.9 million, a $62.0 million improvement over the $39.9 million working capital balance as at December 31, 2011. The increase in working capital is mainly due to the $175.0 million senior note issuance, which after paying down Western's credit facilities resulted in the Company holding excess cash and cash equivalents of $39.2 million at March 31, 2012. The remainder of the increase in working capital is due to the increased revenue and EBITDA in the first quarter of 2012 as compared to the fourth quarter of 2011, which on a relative basis increased trade receivables by a greater margin than the increase in trade payables.

Summary of Quarterly Results

In addition to other market factors, quarterly results of Western are markedly affected by weather patterns throughout its operating area in Canada. Historically, the first quarter of the calendar year is very active, followed by a much slower second quarter due to what is known in the Canadian oilfield service industry as spring 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	Mar 31, 2012	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010
(stated in thousands, except per share amounts)								
Revenue	110,887	101,300	80,786	30,340	50,093	26,582	16,485	11,153
Gross Margin(1)	50,213	47,170	35,005	11,274	21,388	11,767	6,403	4,546
EBITDA(1)	44,242	41,473	30,392	8,533	18,926	9,359	4,703	2,591
Cash flow from operating activities	25,717	25,337	3,391	21,027	9,614	3,716	3,452	3,985
Income (loss) from continuing operations	23,008	24,923	13,889	4,752	10,318	2,766	9,858	(435)
per share - basic(2)	0.39	0.43	0.24	0.09	0.27	0.10	0.37	(0.02)
per share - diluted(2)	0.38	0.41	0.23	0.09	0.26	0.09	0.36	(0.02)
Net income (loss)	23,008	24,314	24,893	4,195	11,344	5,739	10,035	(283)
per share - basic(2)	0.39	0.42	0.43	0.08	0.30	0.20	0.38	(0.01)
per share - diluted(2)	0.38	0.40	0.41	0.08	0.28	0.19	0.36	(0.01)
Total assets	706,061	619,645	584,823	543,117	329,114	264,108	143,399	115,327
Long term financial liabilities(3)	171,570	108,039	108,057	116,186	28,030	46,054	20,636	4,109
Dividends declared	-	-	-	-	-	-	-	-

(1) See Financial Measures Reconciliations on page 2.

(2) Adjusted to reflect the 20:1 share consolidation completed on June 22, 2011.

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

Revenue has steadily increased over the last eight quarters, with the exception of the second quarter of 2011, which was impacted by spring breakup, due to the Company's continued growth in size through the acquisitions of Impact Drilling Ltd. ("Impact") in the third quarter of 2010, Pantera Drilling Income Trust in the fourth quarter of 2010, Stoneham Drilling Trust in the second quarter of 2011 and the Company's capital program which has added six drilling rigs to Western's fleet over the last eight quarters.

EBITDA has followed a similar trend to revenue, steadily increasing due to the acquisitions completed by the Company and impacted in the second quarter of 2011 due to decreased activity associated with spring breakup. This trend reflects strong margins, above industry average utilization rates and economies of scale that have been achieved as a result of Western's consolidation strategy.

Net income (loss) has fluctuated throughout the last eight quarters due to the gain on the business acquisition of Impact that was recognized in the third quarter of 2010, the gain on the sale of StimSol in the third quarter of 2011, as well as the cyclical nature of the oilfield service industry.

Total assets of the Company continue to increase throughout the last eight quarters due to the continued growth of the Company through corporate acquisitions and the Company's capital spending program.

Contractual Obligations

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

	Payments due by period						
(stated in thousands)	2012	2013	2014	2015	2016	Thereafter	Total
Operating leases	$ 2,445	$ 3,600	$ 3,270	$ 2,465	$ 2,454	$ 18,493	$ 32,727
Capital commitments	47,616	184	67	1	-	-	47,868
Purchase commitments	13,421	-	-	-	-	-	13,421
Senior Notes	-	-	-	-	-	175,000	175,000
Senior Notes interest	12,633	13,781	13,781	13,781	13,781	28,711	96,468
Total	$ 76,115	$ 17,565	$ 17,118	$ 16,247	$ 16,235	$ 222,204	$ 365,484

Outstanding Share Data

	May 9, 2012	March 31, 2012	December 31, 2011
Common shares outstanding	58,533,287	58,533,287	58,533,287
Warrants outstanding	2,525,000	2,525,000	2,525,000
Stock options outstanding	2,108,500	2,131,000	2,101,000

Off Balance Sheet Arrangements

As at March 31, 2012, Western had no off balance sheet arrangements in place.

Financial Instruments

Fair Values

The Company's cash and cash equivalents, investments and embedded 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 international 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

As Western now trades on the TSX, 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 certified at March 31, 2012 that they have designed or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities, particularly during the periods in which the interim filings of the Company are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The CEO and CFO do not expect that the DC&P will prevent or detect all errors, misstatements and fraud but are designed to provide reasonable assurance of achieving their objectives. A control system, no matter how well designed or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met. In addition to DC&P, the CEO and CFO have designed internal controls over financial reporting ("ICFR"), or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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 are prepared in accordance with IFRS. The presentation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of provisions at the date of the financial statements and the

reported amounts of revenue and expenses during the reporting period. These estimates and 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 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 calculations performed in assessing the recoverable amounts incorporate a number of key estimates.

As at March 31, 2012, the Company completed its assessments and did not identify indicators of impairment for the long-lived assets of the Company.

Income taxes

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

Business Risks

For a comprehensive listing of the Company's business risks please see the Annual Information Form for the period ended December 31, 2011 as filed on SEDAR at www.sedar.com. The Company's primary business risks are as follows:

- Competition among related service companies is significant. Many 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 Company is vulnerable to market prices. Fixed costs, including costs associated with operations, leases, labour costs and depreciation account for a significant portion of the Company's expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, or other factors could significantly affect its revenues and financial results.

- The Company's business relies on the oil and gas exploration and production industry which is subject to a number of risks 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 prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and natural gas and environmental protection for the oil and gas industry as a whole. Risks affecting the oil and gas exploration and production business may also affect the Company's business. The exact effect of these risks cannot be accurately predicted.
- 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 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 forward-looking statements and forward-looking information within the meaning of applicable securities laws. All statements other than statements of historical fact contained in this MD&A may be forward-looking statements and forward-looking information. In particular, forward-looking information and statements in this MD&A include, but are not limited to, under the section headed Outlook the statement that "of the remaining five drilling rigs currently under construction, one is expected to be completed in each of the second and third quarters of 2012. Two are anticipated to be commissioned in the fourth quarter of 2012, and the final drilling rig under construction is expected to be commissioned in the first quarter of 2013." and "Despite the weakness in natural gas prices, Western believes that customers targeting oil and liquids-rich natural gas wells will continue to drive demand in 2012 and lead to levels consistent with 2011".

The foregoing assumes that oil pricing will continue to be strong enough to support ongoing high demand for drilling services and to support customer entering into long term contracts for new rigs being built.

There is a risk that oil prices or other factors could reduce the demand for drilling services and the viability of customers of Western entering into long term contract for any newly built drilling rigs.

These forward-looking statements and information are based on certain key expectations and assumptions made by Western, including the assumption that the demand for Western's drilling rigs will remain strong through 2012 and that such demand and financial performance will not affect expansion capital. 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 economic, market and business conditions. Readers are cautioned that the foregoing list of risks and uncertainties is 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 and the other disclosure documents filed by Western with securities regulatory authorities 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 and 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.