Third Quarter Interim Report — Dated: November 10, 2011

The following discussion of the financial condition, changes in financial condition and results of operations of Western Energy Services Corp. (the "Company" or "Western") should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2010 and 2009, the Company's management discussion and analysis ("MD&A") for the year ended December 31, 2010, the Company's condensed consolidated financial statements and notes as at and for the three months ended March 31, 2011 and 2010, as well as the Company's condensed consolidated financial statements and notes as at and for the three and nine months ended September 30, 2011 and 2010. This management's discussion and analysis is dated November 10, 2011.

Selected Financial Information

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

Financial Highlights	**Three months ended Sept 30, 2011**	**Three months ended Sept 30, 2010**	**Nine months ended Sept 30, 2011**	**Nine months ended Sept 30, 2010**
Revenue	80,786	16,485	161,219	29,427
EBITDA[1]	30,392	4,703	57,851	7,143
EBITDA as a percentage of revenue	38%	29%	36%	24%
Cash flow from operating activities	3,391	3,452	34,031	7,435
Capital expenditures	24,927	5,120	54,533	7,456
Net income from continuing operations	13,889	9,858 [2]	28,959	20,572 [2]
-basic net income per share	0.24	0.37	0.59	0.99
-diluted net income per share	0.23	0.36	0.56	0.91
Net income	24,893 [3]	10,035 [2]	40,432 [3]	20,851 [2]
-basic net income per share	0.43	0.38	0.82	1.00
-diluted net income per share	0.41	0.36	0.79	0.92
Weighted average number of shares				
-basic[4]	58,533,287	26,377,458	49,256,925	20,872,089
-diluted[4]	60,618,480	27,621,563	51,294,610	22,565,533
Outstanding common shares as at period end[4]	58,533,287	26,377,458	58,533,287	26,377,458
Dividends declared	-	-	-	-
Operating Highlights				
Contract Drilling				
Canadian Operations				
Contract drilling rig fleet:				
-Average	39	14	30	12 [5]
-End of period	37	15	37	15
Drilling revenue per operating day	28,016	23,165	28,215	23,686
Drilling rig utilization rate[6]	72%	61%	66%	54% [5]
CAODC industry average utilization rate[6]	57%	40%	50%	38% [5]
United States Operations				
-Average	4	-	4	-
-End of period	5	-	5	-
Drilling revenue per operating day	35,256	-	35,570	-
Drilling rig utilization rate[6]	65%	-	61% [7]	-

(1) See Financial Measures Reconciliations on page 2.

(2) Includes an $8.7 million and $19.8 million non-recurring gain on acquisitions for the three and nine months ended September 30, 2010, respectively.

(3) Includes a $10.7 million non-recurring gain on the sale of StimSol Canada Inc.

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

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

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

(7) Calculated from the date of acquisition of the United States operations (June 10, 2011).

Financial Position at	September 30, 2011	December 31, 2010	September 30, 2010
Working capital	36,363	13,156	4,884
Property and equipment	448,203	188,355	118,289
Total assets	584,823	264,108	143,399
Long term debt	108,057	46,054	20,636

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

Financial Measures Reconciliations

Western uses certain measures in this MD&A which do not have any standardized meaning as prescribed by IFRS. These measures may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company.

EBITDA

Management believes that in addition to net income from continuing operations, earnings from continuing operations before interest and finance costs, taxes, depreciation, 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 Western's principal business activities prior to consideration of how those activities are financed, the impact of foreign exchange, how the results are taxed, how funds are invested, how non-cash charges and one-time gains or losses affect results.

Operating Earnings

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

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

(stated in thousands of Canadian dollars)	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010
EBITDA	30,392	4,703	57,851	7,143
Less:				
Depreciation - operating	7,792	2,132	15,529	3,921
Depreciation - administrative	144	43	281	77
Operating earnings	22,456	2,528	42,041	3,145
Less:				
Stock based compensation - operating	66	24	182	50
Stock based compensation - administrative	336	121	630	250
Finance costs	1,333	219	2,404	525
Other items	779	114	2,149	223
Gain on business acquisitions	-	(8,720)	-	(19,814)
Income taxes	6,053	912	7,717	1,339
Net income from continuing operations	13,889	9,858	28,959	20,572

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, which was acquired on March 18, 2010, and Stoneham Drilling Corporation in the United States, which was acquired on June 10, 2011. In addition, Western has commenced construction of five next generation well servicing rigs which, upon completion, will be operated through its wholly owned subsidiary Matrix Well Servicing Inc. 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 current and prior period results relating to StimSol have been reclassified as discontinued operations.

The drilling industry in Canada has continued to see improved activity through the first three quarters of 2011, specifically the demand for rigs that have the ability to drill long reach horizontal wells safely and efficiently. During the third quarter of 2011, utilization in the contract drilling segment averaged 72% in Canada as compared to the CAODC industry average of 57%. In the United States, utilization in the third quarter of 2011 averaged 65%.

Although the price for natural gas remains soft, oil prices on average have increased by approximately 18% and 23%, respectively for the three and nine months ended September 30, 2011, as compared to the same period of the prior year. This has resulted in a 14% increase in the number of wells drilled on a rig release basis year-to-date in Canada during 2011 relative to 2010. The increased demand for oil, along with an emphasis on liquids rich natural gas, has primarily resulted in the drilling of horizontal wells in both conventional and unconventional resource plays. During 2011, Western's entire drilling fleet has been focused on drilling horizontal wells. In addition to more wells being drilled in 2011, the industry average drilling days per well also increased in the period to average 12.4 days per well, a 10% increase over the same period of the prior year.

Key operational results for the three months ended September 30, 2011:

- During the third quarter, the Company's rig count decreased by net one rig due to the decommissioning of two rigs of shallower depth capacity, which did not fit the Company's strategic focus of operating ELR rigs, offset by the commissioning of one new ELR double. As such, the Company exited the period with 37 rigs in Canada along with 5 rigs in the United States for a total rig fleet of 42.

- Third quarter revenues increased by $64.3 million (or 390%) to $80.8 million in 2011 as compared to $16.5 million in 2010. The increase reflects Western's increased market share in the contract drilling segment as the Company exited the third quarter of 2011 with a fleet of 42 rigs, a 180% increase over the prior year. In Canada, revenues in the third quarter reflect average revenue per operating day of $28,016 and a utilization rate of 72% as compared to the industry average of 57%. In the United States, revenues in the third quarter reflect a utilization rate of 65% and average revenue per operating day of $35,256. Revenue per operating day in the United States was impacted by significant mobilization revenue earned in the quarter relating to deploying three rigs from Canada into the United States which increased revenue per operating day by approximately $5,600.

- Third quarter EBITDA (see financial measures reconciliations on page 2) increased by $25.7 million (or 546%) to $30.4 million in 2011, as compared to $4.7 million in 2010. The increase in EBITDA is due to Western's growth in the contract drilling segment which contributed $32.9 million in the third quarter of 2011 (41% of contract drilling revenue), an increase of $27.2 million over the same period in the prior year. The increased EBITDA in the contract drilling segment was reduced by an increase in corporate administrative costs of $1.6 million.

- Corporate administrative expenses, excluding depreciation and stock based compensation, in the third quarter of 2011 increased by $1.6 million to $2.5 million, as compared to $0.9 million in the same period of the prior year. The increase is due to higher staffing levels and costs associated with Western's continued growth through consolidation efforts in the oilfield service industry.

- Net income from continuing operations increased to $13.9 million in the third quarter of 2011 as compared to $9.9 million in the same period in the prior year. Normalizing the prior period's net income from continuing operations, by removing the impact of the one-time gain on business acquisitions of $8.7 million, net income from continuing operations increased by $12.8 million (or 1,120%). The increase is attributable to the scale achieved in the contract drilling segment which resulted in the $25.7 million increase in EBITDA quarter-over-quarter, which was partially offset by a $5.8 million increase in depreciation expense due to higher activity levels, a $5.1 million increase in income tax expense as a result of a more profitable operation, and a $1.1 million increase in finance costs due to higher average debt levels in the period resulting from the Company's acquisition of Stoneham Drilling Trust ("Stoneham") in June 2011.

- For the three months ended September 30, 2011 capital expenditures totalled $24.9 million, the majority of which related to the contract drilling segment, which spent $23.7 million in the third quarter. These expenditures mainly relate to Western's drilling rig build program, which incurred $13.2 million in the third quarter, while an additional $0.9 million was incurred on the construction of Western's five next generation well servicing rigs, the first of which is expected to begin operations in the fourth quarter. The remaining capital spending related to ancillary drilling equipment.

- On September 13, 2011, Western sold its wholly owned subsidiary StimSol for gross proceeds of approximately $24.0 million, which were used to reduce Western's bank indebtedness. Prior to the sale, StimSol carried on the business of Western's production services segment which included stimulation services, fluid pumping, and specialty solvents. This transaction resulted in a gain of approximately $10.7 million in the third quarter, which was recorded in discontinued operations in the condensed consolidated financial statements.

Key operational results for the nine months ended September 30, 2011:

- Revenues for the nine month period ended September 30, 2011 increased by $131.8 million (or 448%) to $161.2 million as compared to $29.4 million in the same period of the prior year, reflecting the Company's increased market share in the contract drilling segment. In Canada, revenues in the contract drilling segment reflect an average rig fleet of 30 rigs as compared to a fleet of 12 in the prior year, an increase of 150%. Revenue per operating day averaged $28,215 in Canada, compared to $23,686 in the prior year, and utilization averaged 66% compared to the industry average of 50% and 54% in the same period of the prior year. Subsequent to the acquisition of Stoneham on June 10, 2011, the Company has had an average rig fleet of 4 rigs operating in the United States with utilization averaging 61%. Revenue per operating day in the United States averaged $35,570, which was impacted by significant mobilization revenue earned in the third quarter relating to deploying three rigs from Canada into the United States which increased revenue per operating day for the nine months ended September 30, 2011 by approximately $5,200.

- For the nine months ended September 30, 2011, EBITDA (see financial measures reconciliations on page 2) increased by 710% to $57.9 million, as compared to $7.1 million in 2010. The $50.8 million increase in EBITDA is due to Western's growth in the contract drilling segment which contributed $63.0 million year-to-date in 2011 (39% of contract drilling revenue), an increase of $53.4 million over the same period in the prior year. Offsetting the increased EBITDA in Western's contract drilling segment was an increase in corporate administrative costs of $2.7 million.

- Corporate administrative expenses, excluding depreciation and stock based compensation, in the first nine months of 2011 increased by $2.7 million to $5.2 million, as compared to $2.5 million in the same period of the prior year. The increase is due to higher staffing levels and costs associated with Western's continued growth through consolidation efforts in the oilfield service industry.

- For the nine months ended September 30, 2011 net income from continuing operations increased by $8.4 million to $29.0 million as compared to $20.6 million in the same period of the prior year. Normalizing the prior period's net income from continuing operations, by removing the impact of the one-time gain on business acquisitions of $19.8 million, net income from continuing operations increased by $28.2 million (or 3,720%). The increase is attributable to the scale achieved in the contract drilling segment which resulted in the $53.4 million increase in EDITDA quarter-over-quarter, which was partially offset by a $11.8 million increase in depreciation expense due to higher activity levels, a $6.4 million increase in income tax expense due to a more profitable operation, and a $1.9 million increase in finance costs due to higher average debt levels in the period resulting from the Company's acquisition of Stoneham in June 2011 and Pantera Drilling Income Trust ("Pantera") in December 2010.

- Capital expenditures in the first nine months of 2011 totalled $54.5 million, the majority of which relate to the contract drilling segment which spent $51.5 million year-to-date. These expenditures mainly relate to the purchase of a mechanical telescopic double drilling rig from a private company for $7.0 million as well as $19.3 million incurred as part of Western's rig build program, with the remaining capital spending relating to ancillary drilling equipment. An additional $2.6 million was incurred on the construction of Western's five next generation well servicing rigs, the first of which is expected to begin operations in the fourth quarter. This moves Western towards its stated objective of entering the well servicing industry in Canada.

- On March 29, 2011 Western completed a public offering for 192,500,000 common shares (9,625,000 common shares post 20:1 share consolidation) at a price of $0.39 per share ($7.80 per share post 20:1 share consolidation) for gross proceeds of approximately $75.1 million. On April 1, 2011, the underwriters of the public offering exercised an over-allotment option and pursuant thereto acquired an additional 28,875,000 common shares (1,443,750 common shares post 20:1 share consolidation) at $0.39 per share ($7.80 per share post 20:1 share consolidation) for gross proceeds of approximately $11.3 million. The underwriters were paid commissions of approximately $4.3 million with respect to the public offering.

- On June 8, 2011, Western increased its syndicated revolving credit facility to a $150 million committed three year extendible revolving credit facility (the "Revolving Facility"). The Revolving Facility requires interest to be paid monthly with no scheduled principal repayments unless the Revolving Facility is not extended by the maturity date. The current maturity date of the Revolving Facility is June 7, 2014. Amounts borrowed under the Revolving Facility will bear interest at the bank's prime rate or the banker's acceptance rate plus an applicable margin depending, in each case, on the ratio of consolidated debt to consolidated EBITDA. The purpose of the Revolving Facility is for general corporate purposes including refinancing the previous credit facility as well as partially financing the acquisition of Stoneham.
- On June 10, 2011, the Company acquired all of the issued and outstanding units of Stoneham in exchange for a combination of cash and common shares of Western. The total transaction value was approximately $225.8 million, including the assumption of approximately $34.3 million in debt. A portion of the consideration included the issuance of approximately 196.1 million common shares of Western (9.8 million common shares post 20:1 share consolidation) at an ascribed value of $0.39 per Western common share ($7.80 per share post 20:1 share consolidation) with the remaining $115.0 million of consideration paid in cash.
- Subsequent to September 30, 2011, on October 13, 2011 Western commenced trading on the Toronto Stock Exchange (the "TSX") under the symbol "WRG". Western's common shares were delisted from the TSX Venture Exchange upon the commencement of trading on the TSX.

Outlook

Western has a drilling rig fleet of 42 rigs, with an additional 3 rigs under construction. Currently, Western is the sixth largest drilling contractor in Canada with a fleet of 37 drilling rigs. As a result of the acquisition of Stoneham on June 10, 2011, Western has entered the United States market with the intention of building a strong presence, initially in the Williston basin of North Dakota. Currently, Western has five drilling rigs deployed in the United States.

Western's drilling rig fleet is specifically suited for the current market which is moving towards drilling wells of increased complexity. In total, approximately 95% of Western's fleet are Efficient Long Reach ("ELR") rigs with depth ratings greater than 3,000 meters and all of Western's rigs are capable of drilling horizontal wells. Currently, approximately 60% of Western's fleet is 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 generate approximately 300 utilization days per year.

Capital expenditures are expected to be approximately $95.0 million for 2011, of which $54.5 million was incurred during the first nine months of the year. An additional $17.0 million in capital expenditures is expected to be carried forward into 2012 as projects, such as our rig build program, are completed. Of the three drilling rigs currently under construction, one is expected to be completed in the fourth quarter of 2011, with the remaining two expected to be delivered in the first quarter of 2012. Long term take-or-pay contracts for all three rig builds have been signed. Western believes that with continued strong pricing environments for oil and natural gas liquids, additional rig build opportunities will be available. Additionally, Western has commenced construction of five next generation well servicing rigs, the first of which is expected to begin operations in the fourth quarter of 2011 and the remainder are expected to commence operations later in the fourth quarter of 2011 or during the first quarter of 2012. This moves Western towards its stated objective of entering the well servicing industry in Canada.

Drilling activity in Canada and the United States has been substantially higher in 2011 as compared to the last number of years. Furthermore, Western's utilization rates have consistently been above industry average due to the Company's modern rig fleet, strong customer base and solid reputation. Western believes that customers targeting oil and liquids-rich natural gas wells will continue to drive demand and lead to high levels of utilization. Additionally, strong commodity market conditions have provided some of Western's customers with improved cash flow allowing them to increase their drilling programs. The increased demand for drilling rig services in the market has led to improved day rates, which are expected to hold through the winter of 2012.

Currently the industry is experiencing a shortage of qualified people; however Western's fleet is fully crewed with qualified personnel. 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

Subsequent to the disposition of StimSol in the third quarter of 2011, and prior to commencing operations in the well servicing segment in the fourth quarter of 2011, Western operates exclusively in the contract drilling segment. Contract drilling services includes drilling rigs along with related equipment with operations in both Canada and the United States.

Segment Review of Contract Drilling

(stated in thousands of Canadian dollars)	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010
Revenue	80,786	16,485	161,219	29,427
Expenses				
Operating				
Cash operating expenses	45,780	10,081	93,553	18,292
Depreciation	7,792	2,132	15,529	3,921
Stock based compensation	66	24	182	50
Total operating expenses	53,638	12,237	109,264	22,263
Administrative				
Cash administrative expenses	2,143	786	4,650	1,486
Depreciation	67	10	125	22
Stock based compensation	52	29	130	60
Total administrative expenses	2,262	825	4,905	1,568
EBITDA(1)	32,863	5,618	63,016	9,649
Operating earnings(1)	25,004	3,476	47,362	5,706
Capital expenditures	23,707	5,116	51,493	7,182
EBITDA as a percentage of revenue	41%	34%	39%	33%
Canadian Operations				
Contract drilling rig fleet:				
Average	39	14	30	12 (2)
End of period	37	15	37	15
Drilling revenue per operating day	28,016	23,165	28,215	23,686
Drilling rig operating days(3)	2,567	712	5,368	1,242 (2)
Number of meters drilled	534,888	146,562	1,033,208	246,101
Drilling rig utilization rate(3)	72%	61%	66%	54% (2)
CAODC industry average utilization rate(3)	57%	40%	50%	38% (2)
United States Operations				
Contract drilling rig fleet:				
Average(4)	4	-	4	-
End of period	5	-	5	-
Drilling revenue per operating day	35,256	-	35,570	-
Drilling rig operating days(3)(4)	252	-	274	-
Number of meters drilled	57,128	-	63,216	-
Drilling rig utilization rate(3)(4)	65%	-	61%	-

(1) See Financial Measures Reconciliations on page 2.

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

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

(4) Calculated from the date of acquisition of the United States operations (June 10, 2011).

During the third quarter, the Company's rig count decreased by net one rig due to the decommissioning of two rigs of shallower depth capacity, which did not fit the Company's strategic focus of operating ELR rigs, offset by the commissioning of one new ELR double. As such, the Company exited the period with 37 rigs in Canada along with 5 rigs in the United States for a total rig fleet of 42.

Revenues in the contract drilling segment for the three months ended September 30, 2011 totalled $80.8 million, an increase of $64.3 million (or 390%) compared to $16.5 million in the prior year. The increase is due to a number of factors including the increase in the Company's rig fleet to 42 rigs at the end of the third quarter of 2011 as compared to a rig fleet of 15 in the prior year, an increase of 180%. Additionally, in Canada revenues in the third quarter of 2011 reflect average revenue per operating day of $28,016, a 21% improvement over the prior year, and a utilization rate of 72%, which was 26% higher than the industry average. The Company has consistently exceeded industry average utilization due to its modern rig fleet, 95% of which are ELR, coupled with the Company's ability to maintain a fully staffed rig fleet with three crews on each rig. Strong oil prices over the prior year led to increased activity in the third quarter. Utilization in Canada increased by 18% over the prior year as a result of favourable weather conditions and strong demand following a prolonged breakup due to a wet spring. In the United States, utilization averaged 65% while revenue per operating day of $35,256 was impacted by significant mobilization revenue earned in the quarter relating to deploying three rigs from Canada into the United States which increased revenue per operating day by approximately $5,600. During the third quarter, the Company drilled 177 wells in Canada for a total of 534,888 meters drilled, while in the United States, the Company drilled 9 wells for a total of 57,128 meters drilled.

During the nine months ended September 30, 2011, revenues in the contract drilling segment totalled $161.2 million, an increase of $131.8 million (or 448%) compared to the same period in the prior year. As noted above, the increase reflects a number of factors including the rapid growth of the Company since it was recapitalized in December 2009, with the acquisition of 8 rigs from Horizon and 3 rigs from Cedar Creek Drilling Ltd. ("Cedar Creek") in March 2010, 4 rigs from Impact Drilling Ltd. ("Impact") in August 2010, 7 rigs from Pantera in December 2010, 19 rigs from Stoneham in June 2011, coupled with the Company's capital program which has added 3 additional rigs to the fleet in 2011. Strong demand has led to improved day rates in 2011, with revenue per operating day in Canada averaging $28,215 as compared to $23,686 in the same period of the prior year, an increase of 19%. Since the acquisition of Stoneham on June 10, 2011, revenue per operating day in the United States averaged $35,570, due in part to significant mobilization revenue earned in the third quarter relating to deploying three rigs from Canada into the United States, which resulted in an increase in revenue per operating day of approximately $5,200. In addition to a larger rig fleet and improved day rates, the Company's utilization also improved to 66% in Canada, as compared to 54% in the prior year and an industry average of 50%. Since the acquisition of Stoneham on June 10, 2011, utilization in the United States has averaged 61%. During the first nine months of 2011, the Company drilled 405 wells in Canada for a total of 1.0 million meters drilled, while in the United States the Company drilled 10 wells for a total of 63,216 meters drilled.

During the three and nine months ending September 30, 2011, EBITDA increased significantly due to the higher revenues in the contract drilling segment. As a result, EBITDA totalled $32.9 million (41% of the segment's revenue) in the third quarter of 2011, a $27.2 million increase over the prior year, and $63.0 million (39% of the segment's revenue) in the first nine months of 2011, a $53.4 million increase over the prior year, reflecting strong margins, above industry average utilization rates and economies of scale that have been realized as a result of Western's growth through consolidation strategy.

Capital expenditures in the contract drilling segment totalled $23.7 million in the third quarter and $51.5 million in the first nine months of 2011. Of the capital expenditures incurred in the third quarter, $13.2 million relate to the Company's rig build program, with the remaining capital spending relating to ancillary drilling equipment. Of the capital expenditures incurred during the nine months ended September 30, 2011, $7.0 million relates to the purchase of an ELR double drilling rig from a private company in January 2011, $19.3 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 heavy weight drill pipe.

Corporate and other

(stated in thousands of Canadian dollars)	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010
Expenses				
Administrative				
Cash administrative expenses	2,471	915	5,165	2,506
Depreciation	77	33	156	55
Stock based compensation	284	92	500	190
Total administrative expenses	2,832	1,040	5,821	2,751
Finance costs	1,333	219	2,404	525
Other items	779	114	2,149	223
Gain on business acquisitions	-	(8,720)	-	(19,814)
Capital expenditures	1,220	4	3,040	274

During the three months ended September 30, 2011, corporate administrative expenses, excluding depreciation and stock based compensation, increased by $1.6 million to $2.5 million as compared to the same period in the prior year reflecting 3% of consolidated revenues as compared to 6% in the same period of the prior year. For the nine months ended September 30, 2011, corporate administrative expenses, excluding depreciation and stock based compensation, increased by $2.7 million to $5.2 million as compared to the same period in the prior year reflecting 3% of consolidated revenues as compared to 9% in the same period 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 through consolidation strategy, and expansion into the United States.

Finance costs increased by $1.1 million in the third quarter of 2011 to $1.3 million and by $1.9 million to $2.4 million in the first nine months of 2011 as compared to the same periods in the prior year. The increase is mainly due to a higher average debt balance outstanding following the acquisition of Stoneham in June 2011.

Other items, which totalled $0.8 million in the third quarter of 2011, mainly consist of acquisition costs associated with the acquisition of Stoneham of $0.6 million as well as losses on the sale of certain non-core assets for $0.2 million. For the nine months ended September 30, 2011, other items totalled $2.1 million consisting of acquisition costs of $3.3 million relating to the Stoneham acquisition which were partially offset by net gains on the sale of certain assets of $1.2 million.

The gain on business acquisitions in prior year of $8.7 million and $19.8 million for the three and nine months ended September 30, 2010, respectively, relate to the acquisition of Impact in the third quarter of the prior year, as well as the acquisition of Horizon and Cedar Creek in the first quarter of 2010 all of which were accounted for using IFRS 3, *Business Combinations*.

Liquidity and Capital Resources

On March 29, 2011 Western completed a public offering for 192,500,000 common shares (9,625,000 common shares post 20:1 share consolidation) at a price of $0.39 per share ($7.80 per share post 20:1 share consolidation) for gross proceeds of approximately $75.1 million. On April 1, 2011, the underwriters of the public offering exercised an over-allotment option and pursuant thereto acquired an additional 28,875,000 common shares (1,443,750 common shares post 20:1 share consolidation) at $0.39 per share ($7.80 per share post 20:1 share consolidation) for gross proceeds of approximately $11.3 million. The underwriters were paid commissions of approximately $4.3 million with respect to the public offering.

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

As at September 30, 2011, Western had a working capital balance of $36.4 million, an increase of $13.0 million over the $23.4 million working capital balance at June 30, 2011, and a $23.2 million improvement over the $13.2 million working capital balance as at December 31, 2010. The increase in the working capital balance is mainly due to the increase in revenue and EBITDA in the third quarter, due to the acquisition of Stoneham in June 2011 and the high activity levels in the contract drilling segment, which on a relative basis increased accounts receivables by a greater margin than the increase in accounts payables.

Long term debt at September 30, 2011 was $108.1 million, a decrease of $8.1 million as compared to June 30, 2011. The decrease is mainly due to the disposition of StimSol on September 13, 2011 for gross proceeds of approximately $24.0 million, partially offset by capital expenditures and financing costs exceeding cash flow from operating activities in the third quarter. As compared to December 31, 2010, long term debt has increased by $62.0 million, which is mainly attributable to the acquisition of Stoneham, which included cash consideration of $115.0 million and the assumption of $34.3 million in net debt, partially offset by the equity offering completed in 2011 for net proceeds of approximately $81.6 million.

During the three and nine months ended September 30, 2011, Western generated operating cash flow from continuing operations of $29.9 million and $54.4 million, respectively as compared to $4.5 million and $6.8 million, respectively in the same periods of the prior year. The increase is attributable to Western's continued growth through consolidation in the contract drilling segment.

Goodwill

A continuity of Western's goodwill balance as at September 30, 2011 is as follows:

	Amount
January 1, 2010	$ -
Pantera acquisition	29,117
December 31, 2010	$ 29,117
Stoneham acquisition	27,419
September 30, 2011	$ 56,536

The goodwill acquired as part of the Stoneham acquisition is attributable to the purchase price being approximately 114% of the replacement cost of the assets acquired. The goodwill on the Pantera acquisition is attributable to the exchange ratio between Western's common shares and Pantera's income trust units being negotiated based on a value of $0.21 per Western common share ($4.20 per share post 20:1 share consolidation); however the consideration exchanged was valued based on a price per Western common share of $0.33 ($6.60 per share post 20:1 share consolidation), representing the price immediately before closing the acquisition. This resulted in additional consideration of approximately $27.1 million, and a corresponding increase in the goodwill recognized. Prior to considering the share price increase on the Pantera acquisition, the purchase price represents approximately 103% of the replacement cost of the assets acquired.

Discontinued Operations

During 2010, management determined its United States and international production services divisions, included in the production services segment, would be disposed of in order for the Company to focus on its core business operations in western Canada. The disposal groups consisted of certain property and equipment including a building, field equipment and shop equipment used in the production services segment. During the three and nine months ended September 30, 2011, there were no significant transactions within the disposal group as the respective entities are being wound up. As at September 30, 2011, all amounts are valued at the lower of cost and fair value less cost to sell.

On September 13, 2011, the Company sold its wholly owned subsidiary StimSol to a third party for gross proceeds equal to approximately $24.0 million. As a result of the net proceeds exceeding the carrying value of StimSol's net assets less cost to sell, the Company recognized a $10.7 million gain. No cash taxes are owing on this transaction.

The net income from discontinued operations for the three and nine months ended September 30, 2011 and 2010 were as follows:

	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010
Revenue from discontinued operations	$ 5,566	$ 2,849	$ 12,930	$ 7,663
Operating expenses	4,888	1,774	10,503	5,556
Gross profit	678	1,075	2,427	2,107
Administrative expenses	260	778	1,284	1,451
Finance costs	-	8	1	17
Other items	37	165	20	269
Income before tax from discontinued operations	381	124	1,122	370
Income tax expense (recovery)	38	(53)	310	91
Income from discontinued operations	343	177	812	279
Gain on sale of StimSol (net of tax)	10,661	-	10,661	-
Net income from discontinued operations	$ 11,004	$ 177	$ 11,473	$ 279

Assets and liabilities from discontinued operations at September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011	December 31, 2010
Current assets:		
Trade and other receivables	$ 2,917	$ 3,195
Inventory	-	463
Prepaid expenses and other current assets	51	120
Total current assets	2,968	3,778
Non current assets:		
Property and equipment	28	6,412
Deferred tax asset	-	2,420
Total non current assets	$ 28	$ 8,832
Current liabilities:		
Trade and other payables	$ 1,316	$ 1,778
Current portion of provisions	-	20
Current portion of long term debt	-	23
Total current liabilities	1,316	1,821
Non current liabilities:		
Long term debt	-	7
Total non current liabilities	$ -	$ 7

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 on a quarterly basis, particularly in the first and second quarters, can be dramatic year-over-year independent of other demand factors. The following is a summary of selected financial information of the Company for the last eight completed quarters.

	IFRS							Previous GAAP	
Three months ended	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009(1)(3)	Dec 22, 2009(1)(3)
Revenue	80,786	30,340	50,093	26,582	16,485	11,153	1,789	-	-
EBITDA(2)	30,392	8,534	18,925	9,357	4,703	2,591	(149)	(126)	(878)
Cash flow from operating activities	3,391	21,027	9,613	3,716	3,452	3,985	(200)	(436)	(2,373)
Income (loss) from continuing operations	13,889	4,752	10,318	2,765	9,858	(435)	11,150	(1,961)	(1,238)
per share - basic(4)	0.24	0.09	0.27	0.10	0.37	(0.02)	1.15	(0.30)	(0.77)
per share - diluted(4)	0.23	0.09	0.26	0.09	0.36	(0.02)	0.95	(0.30)	(0.77)
Net income (loss)	24,893	4,179	11,360	5,737	10,035	(283)	11,099	(2,011)	(2,841)
per share - basic(4)	0.43	0.08	0.30	0.20	0.38	(0.01)	1.15	(0.30)	(1.76)
per share - diluted(4)	0.41	0.08	0.28	0.19	0.36	(0.01)	0.95	(0.30)	(1.76)
Total assets	584,823	543,117	329,114	264,108	143,399	115,327	151,485	12,219	12,712
Long term financial liabilities(5)	108,057	116,186	28,027	46,054	20,636	4,109	38,896	-	-
Dividends declared	-	-	-	-	-	-	-	-	-

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

(2) See Financial Measures Reconciliations on page 2.

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

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

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

Revenue is comprised of service revenue from the Company's contract drilling segment. With the discontinuation of the production services segment in the third quarter of 2011, the Company had no revenue from continuing operations prior to the acquisition of Horizon and Cedar Creek on March 18, 2010. Subsequent to March 18, 2010, revenue has steadily increased through to the end of the first quarter of 2011 mainly due to the Company's continued growth in size through the acquisitions of Impact, Pantera and more recently Stoneham on June 10, 2011. Revenue in the second quarter of 2011 was negatively impacted by spring breakup, while revenue in the third quarter of 2011 reflects high levels of activity.

EBITDA has followed a similar trend to revenue: steadily increasing subsequent to the recapitalization of the Company in December 2009, through to the first quarter of 2011 and decreasing in the second quarter of 2011 due to decreased activity associated with spring breakup. During the third quarter of 2011, EBITDA increased following the acquisition of Stoneham and the return to high activity levels following spring breakup. This trend reflects strong margins, above industry average utilization rates and economies of scale that have been realized as a result of Western's consolidation strategy.

Net income (loss) fluctuated throughout 2010 mainly due to the gain on business acquisitions that were recognized in the first and third quarters as well as the cyclical nature of the oilfield services industry. During 2011, net income increased in the first quarter, when activity levels were high, and decreased in the second quarter, when activity levels were lower due to spring breakup, before rebounding in the third quarter following the acquisition of Stoneham and higher activity levels.

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

Contractual Obligations

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

	Payments due by period						
(stated in thousands of Canadian dollars)	2011	2012	2013	2014	2015	Thereafter	Total
Operating leases	$ 511	$ 1,923	$ 1,676	$ 1,217	$ 86	$ 73	$ 5,486
Capital commitments	38,474	7,709	-	-	-	-	46,183
Purchase commitments	2,035	-	-	-	-	-	2,035
Total	$ 41,020	$ 9,632	$ 1,676	$ 1,217	$ 86	$ 73	$ 53,704

Outstanding Share Data

	November 9, 2011	September 30, 2011	December 31, 2010(1)
Common shares outstanding	58,533,287	58,533,287	37,680,944
Warrants outstanding	2,525,000	2,525,000	2,525,000
Stock options outstanding	1,909,500	1,914,500	1,032,583

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

Off Balance Sheet Arrangements

As at September 30, 2011, Western had no off balance sheet arrangements in place.

Transactions with Related Parties

During the three and nine months ended September 30, 2011, the Company entered into sales transactions totalling approximately $2.0 million and $2.3 million, respectively (three and nine months ended September 30, 2010: $nil and $nil, respectively) with a customer who shares a common Director with the Company. These related party transactions, which have been recorded within the Company's revenue, are in the normal course of operations, have been measured at the agreed exchange amount, which is the amount of consideration established and agreed to by the related parties, and which is similar to those negotiated with third parties. All outstanding balances are to be settled with cash, and none of the balances are secured. At September 30, 2011, approximately $1.6 million (September 30, 2010: $nil) is outstanding in trade and other receivables.

Financial Instruments

Fair Values

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

Credit Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

The Company is exposed to foreign exchange fluctuations in relation to its US dollar capital expenditures and international operations. 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.

Changes in Accounting Policies

Transition to International Financial Reporting Standards ("IFRS")

The Company has prepared both its quarterly 2011 condensed consolidated financial statements in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Company's IFRS accounting policies are provided in Note 3 of the March 31, 2011 condensed consolidated financial statements. In addition, Note 22 of the March 31, 2011 condensed consolidated financial statements and Note 21 of the September 30, 2011 condensed consolidated financial statements present reconciliations between the Company's 2010 Canadian GAAP results and the 2010 IFRS results.

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

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

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

IFRS optional exemptions elected:

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

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

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

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

4. Compound financial instruments - IFRS 1 provides the exemption that allows an entity to use its previous GAAP's accounting treatment for compound financial instruments where the liability has been settled prior to the Transition Date. Historically, Western issued convertible debt which would have been accounted for differently under IFRS. As a

result of the Company electing to utilize this exemption, compound instruments entered into and settled prior to the Transition Date were not adjusted on transition to IFRS.

IFRS mandatory exceptions applicable to the Company:

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

Significant IFRS accounting policy changes:

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

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

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

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

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

Reconciliation of Earnings
(Thousands of Canadian dollars)

		2010				
	Note	Q1	Q2	Q3	Q4	Annual
Net income and comprehensive income under Canadian GAAP		$ 11,106	$ (98)	$ 10,154	$ 5,887	$ 27,049
Differences increasing (decreasing) reported net income:						
PP&E - Depreciation	(a)	(11)	(133)	(188)	(244)	(576)
Provisions	(b)	-	(104)	23	25	(56)
Stock based compensation	(c)	2	16	(1)	9	26
Income taxes	(d)	3	33	47	61	144
Discontinued operations	(e)	(1)	3	-	1	3
Total net income and comprehensive income under IFRS		$ 11,099	$ (283)	$ 10,035	$ 5,739	$ 26,590

Notes to reconciliation of Canadian GAAP to IFRS:

(a) Property and equipment:

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

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

(a) Property and equipment (continued):

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

(b) Provisions:

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

(c) Stock based compensation:

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

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

(d) Income taxes

Deferred taxes have been adjusted to give effect to adjustments related to the change in depreciation expense from transition to IFRS throughout 2010. As at January 1, 2010, no adjustment has been made to income taxes for the change in the classification of certain lease contracts as finance leases under IFRS as the amounts were not significant.

(e) Discontinued operations:

As discussed in Note 19 of the September 30, 2011 condensed consolidated financial statements, the Company sold its wholly owned subsidiary StimSol on September 13, 2011. As a result of this transaction, the production services segment has been classified as a discontinued operation in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”. The transition to IFRS did not impact the determination of the discontinued operations but did impact the presentation of certain IFRS adjustments relating to the discontinued operations within the Company’s statements of operations and balance sheets.

Leases:

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

Stock based compensation:

As discussed above, the Company previously recognized forfeitures as they occurred under Canadian GAAP which resulted in an IFRS adjustment to account for the estimate of forfeitures at the date of grant. As a result, the Company adjusted its respective expense within discontinued operations on the statements of operations to reflect this difference relating to the production services segment.

Critical Accounting Estimates

This Management’s Discussion and Analysis of the Company’s financial condition and results of operations is based on its consolidated financial statements which are prepared in accordance with IFRS. The presentation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of provisions at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and 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 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 for goodwill, the recoverable amount of the asset or cash generating unit is determined. Value-in-use calculations performed in assessing the recoverable amounts incorporate a number of key estimates.

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

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

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

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

- Competition among related service companies is significant. Many competitors are substantially larger and have substantially greater revenues than the Company and overall greater financial resources. The Company's ability to generate revenues depends on its ability to attract and win contracts and to perform services.
- Currently the Company is focused on providing services in the western Canadian sedimentary basin 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 costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, or other factors could significantly affect its revenues and financial results.
- The Company's business relies on the oil and gas exploration and production industry which is subject to a number of risks 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.
- The oilfield services industry has experienced a high degree of invention and innovation. It is possible that new technology will be developed which will compete with the Company's products and services.
- A portion of the operations of the Company are in the United States and Mexico which subject the Company to currency fluctuations and different tax and regulatory laws.

Additional data

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