WESTERN ENERGY SERVICES CORP.

Annual Information Form

Year Ended December 31, 2010

April 20, 2011

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GLOSSARY OF TERMS

In this Annual Information Form, unless the context otherwise requires, references to "we", "us", "our" or similar terms, or to the "Corporation" refer to Western Energy Services Corp. (either alone or together with its subsidiaries) and the following terms shall have the meanings set forth below, unless otherwise indicated.

"**106 Alberta**" means 1063645 Alberta Ltd., a corporation formed under the laws of the Province of Alberta;

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any or all regulations promulgated thereunder, as amended from time to time;

"**Annual Information Form**" means this annual information form;

"**Bank**" means the Corporation's current banking syndicate;

"**Bridge Loan**" means the bridge loan facility provided by 106 Alberta to Westx in the original principal amount of $2.0 million;

"**Board of Directors**" or "**Board**" means the board of directors of Western;

"**Canadian GAAP**" means generally accepted accounting principles in Canada as in effect from time to time;

"**Capital Restructuring**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2009*";

"**Cedar Creek**" means Cedar Creek Drilling Ltd.;

"**Cedar Creek Acquisition**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Cedar Creek Agreement**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Common Share**" means a common share in the capital of Western;

"**Convertible Debentures**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**GEP**" means Grenville Energy Partnership, a limited partnership formed under the laws of Alberta, of which 106 Alberta was the general partner;

"**GEP Joint Venture**" is the joint venture between the Corporation and GEP announced in August 2005 pursuant to which GEP acquired five coiled tubing units and ancillary equipment from a private Alberta company and pursuant to which the Corporation would act as the operator of the coiled tubing units;

"**GEP Debenture**" means the secured convertible debenture issued by Western to GEP in connection with the termination of the GEP Joint Venture pursuant to which Western acquired all of the oilfield service equipment owned by GEP and operated by Western pursuant to the GEP Joint Venture;

"**Horizon**" means Horizon Drilling Inc., a corporation amalgamated under the laws of the Province of Alberta and wholly-owned subsidiary of Western;

"**Horizon Acquisition**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Horizon Agreement**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Impact**" means Impact Drilling Ltd.;

"**Impact Acquisition**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**New Board**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2009*";

"**New Management**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Historical Development of Western – 2009*";

"**Pantera**" means Pantera Drilling Income Trust;

"Pantera Acquisition" has the meaning as set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Pantera Acquisition Agreement**" has the meaning as set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Person**" includes an individual, a body corporate, a trust, a union, a pension fund, a government and a governmental agency;

"**Private Placement**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History - 2009*";

"**Recapitalization Agreement**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History - 2009*";

"**Securities Act**" means the *Securities Act* (Alberta) together with any and all regulations thereunder as amended from time to time;

"**StimSol**" means StimSol Canada Inc., a corporation organized under the laws of the Province of Alberta and wholly-owned subsidiary of Western;

"**Subsidiary**" or "**subsidiary**" means, with respect to any Person, a subsidiary (as that term is defined in the ABCA (for such purposes, if such person is not a corporation, as if such person were a corporation)) of such Person and includes any limited partnership, joint venture, trust, limited liability company, unlimited liability company or other entity, whether or not having legal status, that would constitute a subsidiary (as described above) if such entity were a corporation;

"**TSXV**" means the TSX Venture Exchange Inc.;

"**Underwriting Agreement 2010**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Underwriting Agreement 2011**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – Recent Developments*.

"**Warrant**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2009*";

"**Westx**" means Western Energy Services of Texas Corp., a corporation organized under the laws of the State of Delaware and a wholly-owned subsidiary of Western; and

"**Western**" or the "**Corporation**" means Western Energy Services Corp., a corporation incorporated pursuant to the laws of the Province of Alberta, and includes all applicable Subsidiaries and predecessor entities of the Corporation, as the context requires.

GENERAL MATTERS

The Corporation prepares its financial statements in Canadian dollars and in conformity with Canadian GAAP.

Unless otherwise indicated, all dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

The Corporation's website is located at www.wesc.ca.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "propose", "predict", "potential", "continue", or the negative of these terms or other comparable terminology are generally intended to identify forward-looking information. Such information represents the Corporation's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital expenditures, anticipated future debt levels and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

In addition, this document contains forward-looking information pertaining to: the business of the Corporation; results of operations; performance of the Corporation; timing and sale of assets and the use of proceeds from the sale of such assets; dividend policy of Western; use of credit facilities; and business prospects and opportunities.

In addition this Annual Information Form under the heading *General Development of the Business of the Corporation and its Operating Entities – Recent Developments* makes reference to the proposed acquisition of Stoneham Drilling Trust (the "**Arrangement**") and that the trust unitholders of Stoneham Drilling Trust must approve the Arrangement at a meeting of such unitholders which is expected to be held by mid-June of 2011. Readers are cautioned that there are a number of conditions that must be met, including the approval of the securityholders of Stoneham Drilling Trust before the Arrangement can be completed. There is no assurance that all of the conditions to the Arrangement will be met and therefore there is a risk that the Arrangement will not be completed. As such, many factors could cause the performance or achievement of Western to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

In addition, actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth below and elsewhere in this document:

- supply and demand for oilfield services relating to contract drilling services;
- supply and demand for oilfield services relating to stimulation and fluid pumping, nitrogen services, downhole tool rentals, specialty solvents and laboratory services;
- competition for, among other things, capital and skilled personnel;
- incorrect assessments of the value of acquisitions;
- fluctuations in the market for oil and natural gas and related products and services;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;

- fluctuations in foreign exchange or interest rates;
- political and economic conditions;
- failure of counter-parties to perform on contracts;
- regional competition;
- the Corporation's ability to attract and retain customers;
- amounts retained by the Corporation for capital expenditures;
- volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oil and gas services generally;
- stock market volatility and market valuations;
- uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed;
- fixed costs in relation to variable revenue streams;
- the presence of heavy competition in the industry in which the Corporation currently operates;
- general economic conditions in Canada, the United States and globally;
- failure to realize the anticipated benefits of the Acquisitions;
- the availability of capital on acceptable terms; and
- any or all of the factors discussed under *"Risk Factors*".

The forward-looking information contained herein are based on certain key expectations and assumptions of Western concerning anticipated financial performance, business prospects, strategies, conditions in general economic and financial markets, regulatory developments, competition, exchange rates, applicable royalty rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, which are subject to change based on commodity prices, market conditions and potential timing delays. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this Annual Information Form in order to provide shareholders with a more complete perspective on Western's future operations and such information may not be appropriate for other purposes. Western's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Corporation will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

Other than the continuous disclosure obligations set forth in National Instrument 51-102 – *Continuous Disclosure Obligations*, the Corporation undertakes no obligation to publicly update or revise any forward looking information, except as required pursuant to applicable securities laws. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this Annual Information Form. The forward-looking information contained in this Annual Information Form are expressly qualified by this cautionary statement.

WESTERN ENERGY SERVICES CORP.

General

Corporate Structure

The Corporation was incorporated under the ABCA on March 18, 1996 as "Big Blackfoot Resources Ltd.". On September 27, 2002, the Corporation filed articles of amendment to change its name to "BBF Resources Inc." and to consolidate its then outstanding Common Shares on the basis of one Common Share for each two Common Shares. On June 23, 2005, the Corporation filed articles of amendment to change its name to "Western Energy Services Corp." On January 1, 2006, the Corporation filed articles of amalgamation and amalgamated with its wholly-owned subsidiary, WESC Ltd. On September 5, 2008, the Corporation filed articles of amendment to consolidate its then outstanding Common Shares on the basis of one Common Share for each 12 Common Shares.

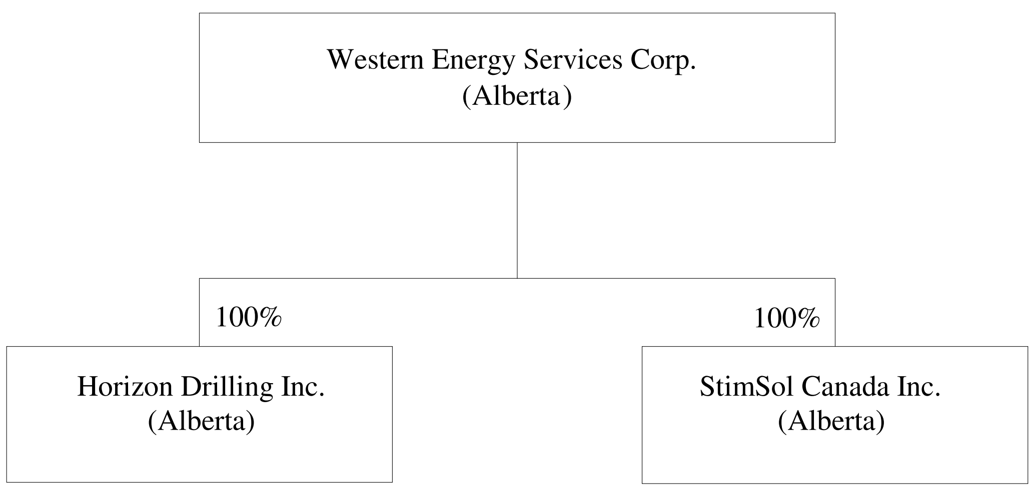
Western currently has two material subsidiaries, Horizon and StimSol.

The head, principal and registered office of Western is located at 900, 606 - 4th Street S.W. Calgary, Alberta T2P 1T1.

Intercorporate Relationships

Organizational Structure of the Corporation

The following diagram sets forth the organizational structure of the Corporation and each of its material subsidiary entities as at the date hereof:



Horizon Drilling Inc.

Horizon was amalgamated under the ABCA on March 18, 2010 pursuant to the amalgamation of Horizon Drilling Inc., Cedar Creek and 1520224 Alberta Ltd. All of the issued and outstanding common shares of Horizon are owned by the Corporation. That amalgamated corporation then amalgamated with Impact Drilling Ltd. on August 25, 2010 to become Horizon Drilling Inc. See also "*Description of the Corporation's Business and Operations – Reorganizations*".

StimSol Canada Inc.

StimSol was incorporated under the ABCA on March 22, 1999 as "Trichem Energy Services Inc." and filed articles of amendment to change its name to "StimSol Canada Inc." on December 1, 2004. On March 7, 2011, articles of amendment were filed to create one class of shares being Class A Common Shares. All of the issued and outstanding Class A Common Shares of StimSol are owned by the Corporation. See also "*Description of the Corporation's Business and Operations – Reorganizations*".

GENERAL DEVELOPMENT OF THE BUSINESS OF THE CORPORATION AND ITS OPERATING ENTITIES

General

The Corporation is an oilfield services company that provides contract drilling services in Alberta, British Columbia, Saskatchewan and Manitoba through its wholly-owned subsidiary, Horizon, and provides a broad range of remedial stimulation services to upstream oil and natural gas exploration and production companies operating in Alberta, British Columbia, Saskatchewan and Manitoba through its wholly-owned subsidiary, StimSol.

Three Year History

2008

On January 21, 2008, Western announced that it had completed a purchase of nitrogen pumping and transport equipment to increase the size of its U.S. based nitrogen fleet by approximately 50%.

On September 5, 2008, Western announced that it had completed the consolidation of its outstanding Common Shares on a 12 for 1 basis pursuant to a shareholders resolution passed on June 25, 2008. Post-consolidation, approximately 14,000,579 Common Shares were outstanding. Western's trading symbol was changed to "WRG" pursuant to the consolidation.

On October 2, 2008, Western announced that it was proceeding with a rights offering whereby shareholders of record on October 15, 2008 were granted rights to purchase Common Shares. One right was issued for each outstanding Common Share. Four rights and $0.30 were required to purchase a Common Share. The expiry date of the rights offering was November 5, 2008. Pursuant to the rights offering a total of 366,467 rights were exercised resulting in the issuance of 91,616 Common Shares. An additional 138,429 Common Shares were subscribed for pursuant to an additional subscription privilege provided in the rights offering for a total of 230,045 shares issued and a total of $69,014 raised by Western.

On December 31, 2008, Western announced that GEP had agreed with Western to convert the outstanding principal and balance of the GEP Debenture, being approximately $3.6 million into Common Shares of Western. The terms of the GEP Debenture had been amended to be convertible into Common Shares at $0.20 per share. A total of 18,015,708 Common Shares were granted to GEP. GEP was then wound up, pursuant to which the Common Shares issued upon conversion of the GEP Debenture were distributed to the former unitholders of GEP.

2009

On November 9, 2009, Western announced that it had closed a private placement offering of units, consisting of, in the aggregate, $3 million principal amount of convertible secured subordinated debentures (the "**Convertible Debentures**") and 30 million share purchase warrants. The private placement was a related party transaction under the rules of the TSXV, which required the Corporation to obtain shareholder approval from disinterested shareholders. This approval was obtained by way of written consents from at least 50.1% of its disinterested shareholders. The Debentures were issued for an initial 24 month term at an interest rate of 7%, payable monthly. The Debentures were convertible into Common Shares at the option of the holder any time prior to maturity at the conversion price of $0.10 per share for the first eight months from the date of issue, $0.15 per share for the subsequent eight month period, and $0.20 per share for the subsequent eight months period thereafter. Each related share purchase warrant entitled the holder to acquire one Common Share upon payment of the exercise price of $0.10 and was to expire 24 months from the date of issue.

Western also announced the closing of the restructuring of its senior credit facility with its existing bank which provided for a further advance of $1,325,000, an interest only repayment period until December 31, 2009 and a reamortization of the facility for a 48 month period from December 31, 2009. In addition, Western announced the restructuring of the Bridge Loan, previously made available to Westx, pursuant to which the accrued interest was capitalized and added to the principal amount of the Bridge Loan for a total outstanding indebtedness of $2.7 million and pursuant to which the interest rate on the Bridge Loan was decreased from 12% to 7% and the maturity date was extended to August, 2011.

On December 22, 2009, the Corporation completed a capital restructuring (the "**Capital Restructuring**") pursuant to a recapitalization agreement dated December 8, 2009 (the "**Recapitalization Agreement**") which involved a non-brokered private placement (the "**Private Placement**") for gross proceeds of $7,000,000, the conversion of the Corporation's Bridge Loan, the Convertible Debentures (including the cancellation of the related Common Share purchase warrants) and other specified obligations into Common Shares, and the appointment of a new board of directors. The new board of directors (the "**New Board**") was comprised of Dale E. Tremblay, Steven C. Grant, Murray K. Mullen and John R. Rooney. The new management team ("**New Management**") of the Corporation, appointed December 8, 2009, was led by Dale E. Tremblay, as Chief Executive Officer, Alex MacAusland, as President and Chief Operating Officer and Jeffrey K. Bowers, as Vice President Finance and Chief Financial Officer.

Pursuant to the Private Placement, the New Board and New Management (or their respective nominees) subscribed for 50,500,000 units ("**Units**") of Western, at a price of $0.08 per Unit, for proceeds of approximately $4,000,000. In addition, 37,000,000 Common Shares were issued at a price of $0.08 per Common Share to certain members of the New Board, certain previous directors of Western and certain other third parties for proceeds of approximately $3,000,000. Each Unit consisted of one Common Share and one Common Share purchase warrant ("**Warrant**") entitling the holder to purchase one Common Share at a price of $0.105 per Common Share for a period of five years. The Warrants vested and became exercisable as to one-third upon the 20-day volume weighted average trading price of the Common Shares ("**Trading Price**") equalling or exceeding $0.16, an additional one-third upon the Trading Price equalling or exceeding $0.24 and a final one-third upon the Trading Price equalling or exceeding $0.32. As such, all of the Warrants have now vested. The Common Shares and Warrants issued to the New Management and the New Board (or their respective nominees) under the Private Placement are subject to contractual escrow with one-third of such Common Shares and Warrants released on the 12th, 18th and 24th month following the closing date of the Private Placement. The Common Shares issued to the other investors under the Private Placement are subject to contractual escrow with one-third of such Common Shares released each six months following the closing date of the Private Placement.

In addition, the holders of the Corporation's Bridge Loan facility, Convertible Debentures (including the related Common Share purchase warrants) and other specified obligations (the "**Subordinated Debt**"), converted the existing Subordinated Debt of approximately $6,142,712 in exchange for 12,285,425 Common Shares at a price of $0.50 per Common Share. The Subordinated Debt was converted at a 525% premium to the Private Placement issue price.

The proceeds from the Private Placement were used initially to repay the Corporation's bank debt obligations and for general corporate purposes.

Due to non-profitable performance, the Corporation took steps, during the latter part of 2009, to shut down both of its United States and Mexico operations and commence a process of moving some of the U.S. assets to its Canadian operations and selling the remainder of its U.S. Assets. Western completed the sale of approximately $4.0 million of those U.S. assets. The Corporation has also agreed to sell all of its Mexican assets.

2010

Pursuant to an agreement made as of February 24, 2010 between Western and Horizon (the "**Horizon Agreement**"), Western, through a wholly-owned subsidiary 1520224 Alberta Ltd., agreed to make an offer to acquire all of the outstanding shares of Horizon for a total purchase price of approximately $41.4 million.

Pursuant to an agreement made as of February 24, 2010 between Western and Cedar Creek (the "**Cedar Creek Agreement**"), Western agreed to make an offer to acquire 100% of Cedar Creek's outstanding common shares on the basis of 2.66 Common Shares for each Cedar Creek common share.

On March 18, 2010, Western closed a bought deal financing (the "**2010 Financing**") with a syndicate of underwriters co-led by Cormark Securities Inc. and Raymond James Ltd. and including FirstEnergy Capital Corp., Peters & Co. Limited and Thomas Weisel Partners Canada Inc. (collectively, the "**2010 Underwriters**") pursuant to an underwriting agreement effective February 25, 2010 (the "**Underwriting Agreement 2010**") whereby the Corporation issued 375 million Common Shares at a price of $0.20 per share for gross proceeds of $75 million. A fee of 5% of the gross proceeds of the 2010 Financing was paid to the 2010 Underwriters.

On March 18, 2010 Western completed the acquisition of all of the outstanding shares of Horizon (the "**Horizon Acquisition**") for a total purchase price of approximately $41.4 million and assumed approximately $24.3 million of debt of that company.

Also on March 18, 2010 Western completed the acquisition of all of the outstanding shares of Cedar Creek (the "**Cedar Creek Acquisition**") for a total purchase price of $6.2 million based on the issuance of an aggregate of 20,517,331 Common Shares at a subscribed price of $0.30 per share which were issued to the holders of Cedar Creek common shares and the assumption of $12.6 million in debt.

On March 18, 2010, Horizon Drilling Inc., Cedar Creek and 1520224 Alberta Ltd. were amalgamated to form Horizon. Pursuant to both the Horizon Acquisition and the Cedar Creek Acquisition, Western acquired a fleet of 11 drilling rigs which were, on average, less that 4 years old, have modern designs, move and rig-up efficiently and enjoy a premium customer base. Upon completion of both of those acquisitions and the 2010 Financing, Western had approximately 527.5 million Common Shares outstanding (578.2 million on a fully diluted basis) and approximately $5.0 million of net debt.

In April 2010, the Corporation increased its credit facility with its existing lender. The credit facility consisted of a $5 million operating demand revolving loan (the "**Operating Facility**"), and a $45 million 364-day committed extendible revolving credit facility (the "**Revolving Facility**"). The purpose of the Revolving Facility was to assist the Corporation in completing corporate acquisitions and financing the construction of additional equipment. In addition, the Revolving Facility was used to consolidate certain indebtedness acquired from Horizon and Cedar Creek. After consolidation, the Corporation had approximately $39 million in available credit under the Revolving Facility and $5 million under the Operating Facility.

On August 25, 2010 the Corporation acquired all of the issued and outstanding shares of Impact pursuant to a Plan of Arrangement (the "**Impact Acquisition**"). The total transaction value of the arrangement was approximately $19.8 million, which included the acquisition of shares, the assumption of debt and negative working capital. Immediately following closing Horizon and Impact amalgamated to continue as one entity under the name Horizon. As a result Horizon acquired Impact's assets which included three, Range 3 Top Drive Telescopic single drilling rigs, one Top Drive Telescopic single drilling rig and various ancillary drilling equipment.

On October 18, 2010 the Corporation entered into an agreement with Pantera whereby the Corporation agreed to acquire, pursuant to a plan of arrangement, all of the outstanding trust units of Pantera on the basis of 21.9048 Common Shares for each Pantera trust unit (the "**Pantera Acquisition Agreement**"). In addition, that agreement provided that Western would appoint Ronald Mathison to its board of directors at the completion of the acquisition and would also add an additional board member at its next annual general meeting that was mutually acceptable to both parties.

On December 15, 2010 the Corporation syndicated its credit facilities with a group of banks which increased Western's aggregate credit limit to $75 million from the previous limit of $50 million. The new credit facilities consist of a $65 million committed 364 day extendable revolving credit facility and a $10 million demand operating credit facility. The credit facilities require interest to be paid monthly with no scheduled principal repayments unless the extendable revolving credit facility is not extended. The extension date is December 13, 2011 (the "**term-out date**"). If the revolving credit facility is not extended it is to be capped and is to be repayable over an ensuing two-year period by quarterly payments of 1/8 of the amount outstanding at the term-out date with the final payment covering the remaining balance two years from the term-out date.

On December 17, 2010 the Corporation acquired all of the issued and outstanding trust units of Pantera pursuant to a plan of arrangement (the "**Pantera Acquisition**"), for a total purchase price of approximately $74.6 million based on the issuance of 226,069,721 Western Common Shares at an ascribed price of $0.33 per share and the assumption of $18.6 million in debt. Immediately following closing, Pantera and its subsidiaries were wound up into Horizon. As such, Horizon acquired seven fully crewed Efficient Long Reach drilling rigs and ancillary equipment.

Recent Developments

On March 29, 2011, Western closed a bought deal financing (the "**2011 Financing**") with a syndicate of underwriters co-led by Cormark Securities Inc. and RBC Dominion Securities Inc. and including Raymond James Ltd., Peters & Co. Ltd., AltaCorp Capital Inc., FirstEnergy Capital Corp. and HSBC Securities (Canada) Inc. (collectively, the "**2011 Underwriters**"). Pursuant to an underwriting agreement made effective March 8, 2011 (the "**Underwriting Agreement 2011**") whereby the Corporation issued 221,375,000 Common Shares at a price of $0.39 per share for gross proceeds of approximately $86.3 million. A fee of 5% of the gross proceeds of such financing was paid to the 2011 Underwriters.

On April 7, 2011 Western entered into an Arrangement Agreement with Stoneham Drilling Trust ("**Stoneham**") whereby Stoneham agreed to carry out a plan of arrangement (the "**Arrangement**") which would result in Western acquiring all of the 7,977,877 outstanding trust units of Stoneham for either $24.00 per unit cash or 61.538 Western common shares per unit at the option of a Stoneham unitholder. The foregoing will be subject to a maximum of $115,000,000 of cash available, therefore, if more than that amount is opted for, each Stoneham unitholder so opting for cash will be required to take a combination of cash and Western common shares. The proposed Arrangement must be approved by at least two-thirds of the holders of Stoneham units present or represented at a meeting of such unitholders which is anticipated to be held by mid-June, 2011.

Significant Acquisitions

Each of the Horizon Acquisition, the Cedar Creek Acquisition and the Pantera Acquisition were significant acquisitions. The Corporation filed a business acquisition report (on the basis of NI Form 51-102 of the Securities Act) with respect to both the Horizon Acquisition and the Cedar Creek Acquisition on May 31, 2010 and with respect to the Pantera Acquisition on February 28, 2011.

Anticipated Changes in the Business of the Corporation

Due to the experience of the management team, it has been their stated intention to focus their efforts in three core business lines in Canada encompassing contract drilling, service rigs and rental and production services. The business plan has been to pursue strategic acquisitions and organic growth focused on strengthening and adding depth to these core business lines with an emphasis on attracting business from Canadian customers engaged in unconventional resource development. During 2010 the Corporation carried out a number of acquisitions, all of which related to building up the contract drilling business. The Corporation intends to continue with its stated business plan during 2011.

DESCRIPTION OF THE CORPORATION'S BUSINESS AND OPERATIONS

General

The Corporation is an oilfield services company that provides contract drilling services in Alberta, British Columbia, Saskatchewan and Manitoba through its wholly-owned subsidiary, Horizon, and provides a broad range of remedial stimulation services to upstream oil and natural gas exploration and production companies operating in Alberta, British Columbia, Saskatchewan and Manitoba through its wholly-owned subsidiary, StimSol.

The management team of the Corporation is a cohesive group with a proven track record of creating value for investors. Western will be focused from both a business line and geographical perspective.

It is the intention of the Corporation to focus its efforts in three core business lines in Canada encompassing contract drilling, service rigs and rental and production services. The business plan continues to see the Corporation pursuing strategic acquisitions and organic growth focused on strengthening and adding depth to these core business lines with an emphasis on attracting business from Canadian customers engaged in unconventional resource development.

Contract Drilling Services

<u>Horizon Drilling Inc.</u>

The contract drilling services offered by Western are provided through its wholly-owned subsidiary, Horizon.

Principal Market and Market for Services

Horizon provides contract drilling services in Alberta, British Columbia, Saskatchewan and Manitoba. The market demand for contract drilling services is subject to the capital expenditure budgets of oil and natural gas companies. Such capital expenditures are influenced by the ability of oil and natural gas companies to have sufficient cash flow or access to debt or equity financing. Market fluctuations, the price of crude oil, the price of natural gas, the supply and demand for oil and natural gas, the proximity and capacity of oil and natural gas pipelines and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, allowable production, the import and export of oil and natural gas, and environmental protection will be important factors in determining the number of oil and natural gas wells to be drilled by exploration and production companies and consequently, the demand for Horizon's services.

Services and Contracts

Contract drilling services are performed using drilling rigs and auxiliary equipment pursuant to contracts from oil and natural gas exploration and production companies. Customers provide instructions to Horizon regarding drilling locations and the desired depth of the oil or natural gas well to be drilled. If the well is productive and can be economically produced, the drilling rig will set the production casing or liner for the well. The drilling rig may complete the well or install a wellhead for completion at a later date by a service rig.

Drilling contracts are awarded through competitive bidding or on a negotiated basis. In periods of low activity, more contracts are offered on a competitive bid basis. During periods of high activity, contracts are often awarded on a negotiated basis. Terms and rates will vary depending on competitive conditions, equipment and services to be supplied, the geographical area, the geological formation to be drilled, the on-site drilling conditions and the anticipated duration of the work. The drilling contractor provides the drilling rig and crew and is typically responsible for the payment of rig operating and maintenance expenses. Surface lease construction, rig mobilization expenses as well as third party rentals are generally paid by the oil and natural gas company operator.

Horizon's contract drilling services are performed primarily pursuant to industry standard drilling contracts endorsed by both the Canadian Association of Oilwell Drilling Contractors (CAODC) and the Canadian Association of Petroleum Producers (CAPP). These contracts outline the rights, responsibilities and obligations of Horizon and the other parties to the contract. The contract can be for a specific well or number of wells or for a specific time period. Generally, Horizon's contracts are carried out on a daywork basis. Pursuant to daywork contracts, the customer pays a fixed charge per day for the number of days to drill a well. Daywork contracts also provide for a day rate, or a lump sum amount, for mobilization of the rig to the well location and for rig up and rig down of the rig. Daywork contracts typically provide that the drilling company bears no part of the costs arising from downhole risks such as time delays for various reasons such as a blow-out or a stuck or broken drill string.

Equipment

Horizon's contract drilling fleet currently includes 24 drilling rigs comprised of the following:

Number	Type
2	ELR Top-Drive Triples
8	ELR Top-Drive Range 3 Singles
11	ELR Range 2 Doubles
2	Top-Drive Singles
1	Conventional Single

Remedial and Stimulation Services

StimSol Canada Inc.

The remedial and stimulation services offered by the Corporation are provided through its wholly owned subsidiary, StimSol. StimSol has a full suite of stimulation services including acidizing chemicals and pumping, solvent blends and pumping, nitrogen and nitrogen pumping, and a complete package of specialty programs designed to maximize production at minimum cost.

Principal Market and Market for Services

StimSol provides remedial and stimulation services in Alberta, British Columbia, Saskatchewan and Manitoba. The market demand for remedial and stimulation services is somewhat dependant on the drilling activity in that, as the drilling activity stays high, the more wells are added to production. As producing wells age, they formulate more challenges that slow down production. With a decrease of drilling activity, there are always a large number of producing wells that can be conveniently and inexpensively be treated with chemicals to increase production, especially while the price of oil remains relatively high.

Products and Services

Acidizing Chemicals and Pumping

StimSol offers acid compatible low and high pressure trucks as well as high pressure cementing and acidizing trucks to deliver and pump a diverse line of acids and acid jobs including:

- Matrix Acidizing
- Chemical Stimulation
- Scale Cleanouts
- Injectivity Testing Permeability
- Mini Fracs
- CTU Support
- Frac Support
- Well turnovers
- Diverted Acid Rock Salt

Solvent Blends and Pumping

StimSol's fleet of pressure trucks are capable of delivering and pumping a wide range of solvent based blends and remediation chemicals to optimize production from existing oil and natural gas wells. The use of these fluids and chemicals in large volumes helps to dissolve carbonates, scales, waxes, and other materials that block an oil or natural gas reservoir and that restrict the flow of oil or natural gas.

Nitrogen and Nitrogen Pumping

Nitrogen is an inert gas used to energize acid and frac fluids and to unload well bores through tubing or coiled tubing. Nitrogen is non-combustible, non-corrosive, and non-reactive and therefore, does not corrode tubulars or damage oil and natural gas producing zones of a wellbore. Nitrogen can also help to reduce hydrostatic pressure and water sensitive formation damage.

StimSol maintains a fleet of nitrogen transport trucks and pumping trucks dispatched from strategic locations to meet its customer's needs. StimSol's personnel are experienced in all nitrogen remedial applications which include:

- Well completions
- Cleanouts
- Workovers
- Fishing operations
- Over and under balanced perforating
- Under balanced drilling
- Gas plant and pipeline purges
- Coiled tubing support

Specialty Chemicals and Programs

StimSol's multiple laboratory locations provide the highest level of quality control of all the acid and solvent blends offered. Blends of wax and asphaltene abatement solvents and chemicals are offered and are delivered by StimSol's fleet of pressure trucks and transportation units. StimSol's specialized solvent blends consist of a complex mixture of aliphatic, naphthenic, monocyclic, dicyclic, and polycyclic aromatic hydrocarbons and naturally occurring surfactants. These comprehensive blends are designed to dissolve and disperse wax and asphaltene deposits, break up sludges and emulsions, dilute heavy oils, dilute hot oil crudes, and provide non-damaging fracturing fluids. Through continuing research and development, StimSol further enhances its exclusive solvent blends with the use of specialty value added chemicals to meet the specific needs of its customer's oil or natural gas wells.

Equipment

StimSol maintains a fleet of nitrogen transport trucks and pumping trucks comprised of the following:

Number	Type
7	Pressure Trucks
5	Cementing and Acidizing Trucks
1	Nitrogen Pumper
1	Nitrogen Bulker
1	Tri-Axle Tanker
1	Tank Truck

Competitive Conditions

The Corporation, through its operating subsidiaries, provides oilfield services primarily to the field operation locations of oil and natural gas exploration and production companies located in western Canada. The oilfield gas services business is highly competitive and in order to be successful, the Corporation and its subsidiaries must provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which the Corporation operates are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience and a reputation for safety and price. The Corporation competes with several smaller and larger regional competitors. Competitors offer similar services in all geographic regions in which the Corporation operates.

Reduced levels of activity in the oil and natural gas industry can intensify competition and result in lower revenue to Western. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, will have an effect upon Western's ability to generate revenue and earnings. See "*Risk Factors – Intense Price Competition and Cyclical Nature of the Contract Drilling and Oilfield Services Industry*".

Cyclical and Seasonal Nature of Industry

The level of activity within the oil and natural gas industry in western Canada is influenced by seasonal weather patterns. This cyclical nature is also affected by geography; as activity further north in western Canada is generally more affected by seasonal weather patterns. However, the annual drilling cycle affects the entire energy industry in western Canada and can generally be viewed in four components:

- Spring Break-up — occurs between mid-March and mid-June. The northern drilling locations thaw and southern lands become impractical for travel due to wet road and surface conditions. Drilling and other oilfield activity is generally low with companies planning for the summer drilling season.

- Summer and Fall Drilling Season — occurs between mid-June and mid-October, generally focused on areas that are accessible in the summer (i.e. not situated in areas covered with muskeg); summer drilling activity is generally not as strong as the winter drilling season.

- Switch Over to Winter Drilling Season — occurs between mid-October and mid-November and is characterized by lighter drilling activity when many companies are moving off summer drilling locations and preparing winter drilling leases for delivery of equipment.

- Winter Drilling Season — occurs between mid-November through mid-March and is the period when a large part of rig activity takes place and oil and natural gas companies take advantage of the frozen landscape to access northern drilling locations.

The volatility in the weather and temperature can therefore create unpredictable activity and utilization rates, which can have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services of the Corporation. See "*Risk Factors – Seasonality*".

Environmental Considerations

The oil and gas industry is regulated by a number of federal and provincial governmental bodies and agencies under a variety of complex federal and provincial legislation that sets forth numerous prohibitions and requirements, with respect to planning and approval processes related to land use, sustainable resource management, waste management, responsibility for the release of presumed hazardous materials, protection of wildlife and the environment and the health and safety of workers. Legislation provides for restrictions and prohibitions on the transport of dangerous goods and the release or emission of various substances, including substances used and produced in association with certain oil and natural gas industry operations. The legislation addresses various permits, drilling, well completion, installation of surface equipment, air monitoring, surface and ground water monitoring in connection with these activities, waste management and access to remote or environmentally sensitive areas.

Western is subject to the above noted regulatory regime, and as a consequence, the various environmental and health and safety statutes and regulations governing the manufacturing, processing, importation, transportation, handling and disposal of substances used in its operations. Government authorities have the power to make orders and take other actions (including enforcement action) to protect the environment and ensure safety, including licensing, equipment certification, environmental assessments, reclamation orders and safety regimes.

The Corporation is pro-active in its approach to environmental concerns. Procedures are in place to ensure that care is taken in the day-to-day management of the Corporation's oilfield services operations. All government regulations and procedures are followed in strict adherence to the law.

Employees

As at December 31, 2010, the Corporation had, together with its subsidiaries, 467 employees. As at April 20, 2011 the Corporation had, together with its subsidiaries,527 employees**.**

Foreign Operations

As a result of the significant downturn in industry demand, the Corporation ceased substantially all its operations in the United States and Mexico in second quarter of 2010. The Corporation redeployed some of its U.S. assets to its Canadian operations and sold some of its U.S. assets in the latter part of 2009, and completed the sale of all of its U.S. assets by mid-2010. The Corporation is also in the process of finalizing the sale of the remainder of its Mexican assets .

Reorganizations

On September 5, 2008, Western announced that it had completed the consolidation of its outstanding Common Shares on a 12 for 1 basis pursuant to a shareholders resolution passed on June 25, 2008. Post-consolidation, approximately 14,000,579 common shares of Western were outstanding. Western's trading symbol was changed to "WRG" pursuant to the consolidation.

On December 22, 2009, Western completed the Capital Restructuring. See "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2009*".

RISK FACTORS

The following is a summary of certain risk factors relating to the business of the Corporation. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this document. Shareholders and potential shareholders should consider carefully the information contained herein and, in particular, the following risk factors.

Failure to Realize Anticipated Benefits of the Acquisitions and Dispositions and Development Risks

The Corporation completed the Horizon Acquisition, the Cedar Creek Acquisition, the Impact Acquisition and the Pantera Acquisition to establish a solid position in the oilfield services industry and to create the opportunity to realize certain benefits, including, among other things, potential cost savings. In order to achieve the benefits of these and future acquisitions, the Corporation will be dependent upon its ability to successfully consolidate functions and integrate operations, procedures and personnel in a timely and efficient manner and to realize the anticipated growth opportunities and synergies from combining the acquired assets and operations with those of the Corporation. The integration of acquired assets and operations requires the dedication of management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business and customer relationships that may adversely affect the Corporation's ability to achieve the anticipated benefits of such acquisitions.

Western expects to continue to selectively seek strategic acquisitions. Western's ability to consummate and to integrate effectively any future acquisitions on terms that are favourable to it may be limited by the number of attractive acquisition targets, internal demands on Western's resources and, to the extent necessary, Western's ability to obtain financing on satisfactory terms, if at all. Acquisitions may expose Western to additional risks, including: difficulties in integrating administrative, financial reporting, operational and information systems; managing newly-acquired operations and improving their operating efficiency; difficulties in maintaining uniform standards, controls, procedures and policies through all of Western's operations; entry into markets in which Western has little or no direct experience; difficulties in retaining key employees of the acquired operations; and disruptions to Western's ongoing business.

In addition, future acquisitions could result in the incurrence of additional debt, costs, and contingent liabilities. Western may also incur costs for and divert management attention to potential acquisitions that are never consummated. For acquisitions that are consummated, expected synergies may not materialize. Western's failure to effectively address any of these issues could have a material adverse effect on Western's business, financial condition, results of operations and cash flows.

While Western's acquisition process typically includes due diligence on the business or assets to be acquired, and the acquisition agreements typically include detailed representations and warranties respecting the business or assets being acquired, there can be no assurance that Western would not become subject to certain undisclosed liabilities in proceeding with such transactions. However, these representations and warranties, if obtained, may not fully cover the liabilities because of their limited scope, amount or duration, the financial resources of the indemnitor or warrantor or for other reasons. Western has completed a number of acquisitions and there may exist liabilities that Western's due diligence failed or was unable to discover prior to the consummation of these acquisitions. To the extent that prior owners of businesses failed to comply with or otherwise violated applicable laws, Western, as a successor-owner, may be financially responsible for these violations. The discovery of any material liabilities could have a material adverse effect on Western's business, financial condition and future results of operations and cash flows.

The Corporation may make dispositions of businesses and assets in the ordinary course of business. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

Access to Capital

In order to achieve the Corporation's growth strategy, it may be necessary to obtain additional debt or equity financing to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to Western. The Corporation's inability to raise financing to support acquisitions could limit Western's growth and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Intense Price Competition and Cyclical Nature of the Contract Drilling and Oilfield Services Industry

The contract drilling business is highly competitive with numerous industry participants, and the drilling contracts the Corporation will be competing for are usually awarded on the basis of competitive bids. Management believes pricing and rig availability are the primary factors considered by the Corporation's potential customers in determining which drilling contractor to select. Management believes other factors are also important. Among those factors are:

- the drilling capabilities and condition of drilling rigs;
- the quality of service and experience of rig crews;
- the safety record of the contractor and the particular drilling rig;
- the offering of ancillary services;
- the ability to provide drilling equipment adaptable to, and personnel familiar with, new technologies and drilling techniques;
- the mobility and efficiency of rigs; and
- marketing relationships.

The contract drilling industry historically has been cyclical and has experienced periods of low demand, excess rig supply, and low dayrates, followed by periods of high demand, short rig supply and increasing dayrates. Periods of excess drilling rig supply intensifies the competition in the industry and often result in rigs being idle. There are numerous contract drilling competitors in each of the markets in which the Corporation competes. In all of those markets, an oversupply of drilling rigs can cause greater price competition. Contract drilling companies compete primarily on a regional basis, and the intensity of competition may vary significantly from region to region at any particular time. If demand for drilling services is better in a region where the Corporation operates, its competitors might respond by moving in suitable drilling rigs from other regions, by reactivating previously stacked rigs or purchasing new drilling rigs. An influx of drilling rigs into a market area from any source could rapidly intensify competition and make any improvement in demand for drilling rigs short-lived.

The number of drilling rigs competing for work in the market areas the Corporation serves has increased due to the entry into those markets of newly-built or newly-refurbished rigs. Management expects that more of these newer rigs may enter the Corporation's potential market areas over the next year. The addition of these drilling rigs over the next year could continue to intensify price competition and possibly reduce customer demand for term drilling contracts, which would have an adverse effect on the revenues, cash flows and earnings of the Corporation.

Western provides oilfield services primarily to the field operation locations of oil and natural gas exploration and production companies located in western Canada. The oilfield services business in which Western operates is highly competitive. To be successful, Western must provide services that meet the specific needs of its customers at competitive prices. The principal competitive factors in the markets in which Western operates are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience and reputation for safety and price. Western will compete with several regional competitors that are both smaller and larger than it is. These competitors offer similar services in all geographic regions in which Western operates. As a result of competition, Western may be unable to continue to provide its present services or to acquire additional business opportunities, which could have a material adverse effect on Western's business, financial condition, results of operations and cash flows.

Capital Overbuild in the Contract Drilling Industry

Because of the long life nature of drilling equipment and the lag between the moment a decision to build a rig is made and the moment the rig is placed into service, the number of rigs in the industry does not always correlate to the level of demand for those rigs. Periods of high demand often spur increased capital expenditures on rigs, and those capital expenditures may exceed actual demand. This capital overbuild could cause the Corporation's competitors to lower their rates and could lead to a decrease in rates in the oilfield services industry generally, which would have an adverse effect on the revenues, cash flows and earnings of the Corporation.

New Technology Could Place Western at a Disadvantage Versus Competitors

Complex drilling programs for the exploration and development of remaining conventional and unconventional oil and natural gas reserves in North America demand high performance drilling rigs. The ability of drilling rig service providers to meet this demand will depend on continuous improvement of existing rig technology such as drive systems, control systems, automation, mud systems and top drives to improve drilling efficiency. The Corporation's ability to deliver equipment and services that are more efficient is critical to continued success. There is no assurance that competitors will not achieve technological improvements that are more advantageous, timely or cost effective than improvements developed by the Corporation.

The ability of Western to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment and there can be no assurance that Western will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by Western to do so could have a material adverse effect on Western's business, financial condition, results of operations and cash flows. No assurances can be given that competitors will not achieve technological advantages over Western.

In the future Western may seek patents or other similar protections in respect of particular tools, equipment and technology, however, Western may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of Western thereby adversely affecting Western's competitive advantage in one or more of their businesses. Additionally, there can be no assurance that certain tools, equipment or technology developed by Western, may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on Western's business, financial condition, results of operations and cash flows.

Risks of Interruption and Casualty Losses

The Corporation's operations are, or will be, subject to many hazards inherent in the contract drilling industry, including blowouts, cratering, explosions, fires, loss of well control, loss of hole, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters and reservoir damage. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental damage, damage to the property of others and damage to producing or potentially productive oil and natural gas formations through which the Corporation drills. Generally, drilling contracts provide for the division of responsibilities between a drilling company and its customer, and the Corporation will seek to obtain indemnification from its customers by contract for certain of these risks. The Corporation will also seek protection through insurance. However, the Corporation cannot ensure that such insurance or indemnification agreements will adequately protect it against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses. In addition, insurance may not be available to cover any or all of these risks, or, even if available, may not be adequate. Insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive or uneconomic.

Drilling Industry Risks

There are many risks inherent in the drilling industry which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

The Corporation’s success will depend on the ability of the Corporation’s customers to select and acquire suitable producing properties or undeveloped exploration prospects. The marketability of any oil and natural gas acquired or discovered by the Corporation's customers will be affected by numerous factors beyond the control of such customers. These factors include market fluctuations, the price of crude oil, the price of natural gas, the supply and demand for oil and natural gas, the proximity and capacity of oil and natural gas pipelines and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, allowable production, the import and export of oil and natural gas, and environmental protection. The effect of these factors cannot be accurately predicted.

Rig Construction Risks

When the Corporation contracts for the construction of a rig, the cost of construction of the rig and the timeline for completing the construction are estimated at that time. Actual costs of construction may, however, vary significantly from those estimated as a result of numerous factors, including, without limitation, changes in input costs such as the price of steel; variations in labour rates; and, to the extent that component parts must be sourced from other countries, fluctuations in exchange rates. In addition, several factors could cause delays in the construction of a rig, including, and without limitation, shortages in skilled labour and delays or shortages in the supply of component parts. Construction delays may lead to postponements of the anticipated date for deployment of the newly constructed rig into operation and any such postponement could have a negative effect on cash flows generated from operations, of which the effect may be material.

Volatility of Industry Conditions

The demand, pricing and terms for oilfield services largely depend upon the level of industry activity for oil and natural gas exploration and development. Industry conditions are influenced by numerous factors over which Western has no control, including: the level of oil and natural gas prices; expectations about future oil and natural gas prices and production; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; available pipeline and other oil and natural gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; alternative fuel requirements; increasing consumer demand for alternatives to oil and natural gas; technological advances in fuel economy and energy generation devices; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and natural gas production activities will continue or that demand for oil and natural gas services will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for services to oil and natural gas customers. A material decline in oil or natural gas prices or industry activity could have a material adverse effect on Western’s business, financial condition, results of operations and cash flows. The business and activities of Western are directly affected by fluctuations in the levels of exploration, development and production activity carried on by its customers.

Global Financial Uncertainty

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, in 2008 and 2009 have caused significant volatility to commodity prices. These conditions caused a loss of confidence in the broader U.S. and global credit and financial markets and resulted in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Those factors negatively impacted company valuations and impacted the performance of the global economy. Although that crisis appears to be stablizing there are still some risks that worldwide conditions may not improve in the near term or could worsen.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, Organization of Petroleum Exporting Countries (OPEC) actions and the ongoing global credit and liquidity concerns. These factors could have a material adverse effect on Western's business, financial condition, results of operations and cash flows.

Leverage and Restrictive Covenants

The ability of Western to make payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of those entities (including the credit facilities). The degree to which Western is leveraged could have important consequences for its shareholders including: (i) Western's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) all or part of Western's cash flow from operations may be dedicated to the payment of the principal of and interest on Western's indebtedness, thereby reducing funds available for future operations; (iii) certain of Western's borrowings may be at variable rates of interest, which exposes Western to the risk of increased interest rates; and (iv) Western may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors could have a material adverse effect on Western's business, financial condition, results of operations and cash flows.

The credit facilities contain numerous covenants that limit the discretion of management with respect to certain business matters. These covenants will place restrictions on, among other things, the ability of Western to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facilities contain a number of financial covenants that require Western to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, would permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of Western would be sufficient to repay in full that indebtedness.

Any failure of Western to repay or refinance any or all of the credit facilities at their maturity dates on acceptable terms or to comply with applicable covenants under its credit facilities could have a material adverse effect on Western and its cash flow. There is no assurance that Western will be able to refinance any or all of the credit facilities at their maturity dates on acceptable terms, or on any basis.

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. Spring break-up during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of oil and natural gas activities. Wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. The duration of this period will have a direct impact on the level of the Western's activities. Spring break-up occurs earlier in the year in southern Alberta and Saskatchewan than it does in northern Alberta and British Columbia. The timing and duration of spring break-up are dependant on weather patterns, but it generally occurs from mid-March to mid-June. Certain oil and natural gas producing areas are located in areas that are inaccessible other than during winter months, because the ground surrounding the drillings sites in these areas consists of swampy terrain. Additionally, if an unseasonably warm winter prevents sufficient freezing, Western may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The demand for oilfield services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which can have a material adverse effect on Western's business, financial condition, results of operations and cash flows. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the services of Western.

Reliance on Major Customers

The loss of one or more major customers, or any significant decrease in services provided to a customer, prices paid or any other changes to the terms of services with customers, could have a material adverse effect on Western's business, financial condition, results of operations and cash flows.

Agreements and Contracts

The business operations of Western will depend on industry standard agreements with its customer base that are cancellable at any time by Western, or its customers. The key factors which will determine whether a client continues to use Western are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety and competitive price. There can be no assurance that Western's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Western's business, financial condition, results of operations and cash flows.

Reduced levels of activity in the oil and natural gas industry can intensify competition and result in lower revenue to Western. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, will have an effect upon Western's ability to generate revenue and earnings.

Government Regulation

The operations of Western are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its clients. Western believes that each of its subsidiaries and operating entities are currently in compliance with such laws and regulations. Western currently invests financial and managerial resources to ensure such compliance and will continue to do so in the future. Such laws or regulations are subject to change, accordingly, it is impossible for Western to predict the cost or impact of such laws and regulations on Western's future operations.

Reliance on Key Personnel

Western's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on Western. Western does not have any key person insurance in effect for management. The contributions of the existing management team to the immediate and near term operations of Western are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Western will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Western.

Credit Risk

All of Western's accounts receivable are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices. Western may be exposed to third party credit risk through its contractual arrangements with its current or future customers and other parties. In the event such entities fail to meet their contractual obligations to Western, such failures could have a material adverse effect on Western and its cash flow from operations.

Dividends are Discretionary

The Corporation is not obligated to pay dividends on the Common Shares. The payment of dividends is at the sole discretion of the Corporation's board of directors and it may decide to eliminate or reduce any dividends paid on the Common Shares, or retain cash otherwise available for dividends for investment in the business. In addition, the Corporation's credit facilities may restrict its ability to pay dividends, and thus the Corporation's ability to pay dividends on its Common Shares will depend on, among other things, the Corporation's level of indebtedness at the time of the proposed dividend and whether it is in compliance with such agreements. Although the Corporation has not paid dividends to date, any future decision to pay on a subsequent reduction or elimination of dividends could cause the market price of the Common Shares to decline and could further cause the Common Shares to become less liquid, which may result in losses to shareholders.

Future Sales of Common Shares by the Corporation

The Corporation may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Corporation or negatively affect the market price of the Common Shares. The Corporation's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Corporation have the discretion to determine the provisions attaching to any series of the preferred shares and the price and the terms of issue of further issuances of Common Shares. Also, additional Common Shares will be issued by the Corporation on the exercise of stock options under the Corporation's stock option plan, or pursuant to other share compensation arrangements.

Conflicts of Interest

Certain directors of Western are also directors of other oilfield service companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions.

Conflicts, if any, will be subject to the procedures and remedies of the ABCA. See "*Directors and Officers – Conflicts of Interest*".

Sources, Pricing and Availability of Equipment and Equipment Parts

Western sources its equipment and equipment parts from a variety of suppliers, most of whom are located in Canada and the United States. Should any suppliers of Western be unable to provide the necessary equipment or parts or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services or in the time required to find new suppliers could have an material adverse effect on Western's business, financial condition, results of operations and cash flows.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar although the Canadian dollar may experience fluctuations from such levels. To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract. An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, which could negatively impact the market price of the Common Shares.

Emission Regulation

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". The Government of Canada is in the process of developing future regulatory requirements that are expected to set greenhouse gas emission reduction requirements for various industrial activities, including oil and gas exploration and production. Most of the Corporation's customers are oil and natural gas producers, whose operations and activity levels may be significantly impacted by regulations designed to limit the emissions of greenhouse gases. Future federal legislation, together with provincial emission reduction requirements, such as those contained in Alberta's *Climate Change and Emissions Management Act,* British Columbia's *Greenhouse Gas Reduction (Cap and Trade) Act*, and proposed in Saskatchewan's Bill 126: *Management and Reduction of Greenhouse Gases Act*, may require the reduction of emissions or emissions intensity with oil and gas producer's operations and facilities. The direct or indirect costs of these regulations may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Kyoto Protocol or the new regulatory framework, could have a material impact on oil and natural gas exploration and development activities in western Canada. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict at this time either the nature of those requirements or the impact on Western and its operations and financial condition.

DIVIDEND POLICY

The Corporation has not declared or paid any dividends since its incorporation. Any decision to pay dividends on the Common Shares will be made by the Board of Directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time.

DESCRIPTION OF THE CORPORATION'S SECURITIES

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of April 20, 2011, the Corporation had 974,993,882 Common Shares and no preferred shares issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of the Corporation.

Common Shares

Holders of Common Shares are entitled to dividends as and when declared by the Board of Directors, to one vote per share at meetings of Shareholders and, upon liquidation, to receive such assets of the Corporation as are distributable to the shareholders of the Corporation, subject to the rights of holders of Preferred Shares having priority over the Common Shares. All of the Common Shares issued and outstanding have been issued as fully paid and non assessable.

Preferred Shares

The Preferred Shares may be issued from time to time in one or more series, each series consisting of the number of shares and having the designation, rights, privileges, restrictions and conditions which the Board of Directors determines prior to the issue thereof. The Preferred Shares rank prior to the Common Shares with respect to the payment of dividends and distribution in the event of liquidation, dissolution or winding up of the Corporation. There are no Preferred Shares issued and outstanding.

MARKET FOR SECURITIES

Price Range and Volume of Trading of Common Shares

The Common Shares are listed and trade on the TSXV under the symbol "WRG".

The following table sets forth the price range trading volume of the Common Shares on the TSXV for the periods indicated.

	Price Range		
2010	High ($)	Low ($)	Volume
January	0.90	0.45	2,261,700
February	0.80	0.22	8,659,100
March	0.45	0.25	18,601,700
April	0.27	0.24	27,674,300
May	0.27	0.20	10,429,200
June	0.25	0.20	32,552,100
July	0.21	0.13	35,693,900
August	0.23	0.20	11,927,000
September	0.22	0.19	8,085,300
October	0.26	0.20	21,801,500
November	0.32	0.23	19,774,900
December	0.39	0.27	25,082,400

2011	High ($)	Low ($)	Volume
January	0.41	0.32	59,218,100
February	0.44	0.39	30,101,000
March	0.43	0.36	17,545,700
April 1- 20	0.43	0.25	27,599,000

Prior Sales

The following table sets forth, for each class of securities of the Corporation that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the financial year ended December 31, 2010 and the number of securities of the class issued at that price and the date on which the securities were issued.

Description	Number of Securities	Price per Security	Date of Issuance
Western Shares	375,000,000[(2)]	$0.20	March 18, 2010
Western Shares	20,517,331[(3)]	$0.30[(3)]	March 18, 2010
Options to purchase Western Shares	18,400,000	$0.285[(1)]	March 22, 2010
Options to purchase Western Shares	150,000	$0.285[(1)]	May 31, 2010
Options to purchase Western Shares	1,150,000	$0.285[(1)]	August 31, 2010
Options to purchase Western Shares	150,000	$0.285[(1)]	October 19, 2010
Options to purchase Western Shares	400,000	$0.285[(1)]	November 1, 2010
Options to purchase Western Shares	2,050,000	$0.285[(1)]	November 22, 2010
Western Shares	226,069,721[(4)]	$0.33[(4)]	December 17, 2010
Options to purchase Western Shares	2,450,000	$0.335[(1)]	January 14, 2011
Western Shares	192,500,000 [(5)]	$0.39	March 29, 2011
Western Shares	28,875,000 [(5)]	$0.39	April 1, 2011

Notes:
(1) Represents the exercise price per stock option.
(2) Issued pursuant to 2010 Financing.
(3) Issued pursuant to the Cedar Creek acquisition on the basis of 2.66 Common Shares for each Cedar Creek share. The purchase price for the Cedar Creek Acquisition was paid by the issuance of 20,517,331 Common Shares having an ascribed value of $0.30 per Common Share based on the closing price of the Common Shares on the TSXV on March 17, 2010 (the day immediately prior to the date of the Cedar Creek Acquisition).
(4) Issued pursuant to the Pantera Acquisition. The purchase price for the Pantera Acquisition was paid by the issuance of 226,069,721 Common Shares having an ascribed value of $0.33 per Common Share based on the closing price of the Common Shares on the TSXV on December 16, 2010 (the day immediately prior to the date of the Pantera Acquisition).
(5) Issued pursuant to 2011 Financing.

DIRECTORS AND OFFICERS

The following table sets forth the name, place of residence, date first elected as a director of Western and positions for each of the directors and officers of Western, together with their principal occupations during the last five years. The directors of Western shall hold office until the next annual meeting of shareholders or until their respective successors have been duly elected or appointed.

Name and Place of Residence	Position with Western	Director or Officer of Western Since	Principal Occupation and Positions for the Past Five Years
Steven C. Grant[(1)(2)] Houston, Texas	Director	December 22, 2009	Mr. Grant is an independent businessman and was formerly a Houston-based Managing Director of Energy Investment Banking with Raymond James & Associates; a New York Stock Exchange ("NYSE") listed investment banking and brokerage firm.

Name and Place of Residence	Position with Western	Director or Officer of Western Since	Principal Occupation and Positions for the Past Five Years
Ronald P. Mathison (1)(2) Alberta, Canada	Director	December 17, 2010	Mr. Mathison is the President and Chief Executive Officer of Matco Investments Ltd. and Matco Capital Ltd., private investment firms which specialize in providing capital and management expertise to companies in which they have an interest.
Murray K. Mullen(1)(2) Alberta, Canada	Director	December 22, 2009	Mr. Mullen is the Chairman of the Board and Chief Executive Officer of Mullen Group Ltd.
John R. Rooney(1)(2) Alberta, Canada	Director	December 22, 2009	Mr. Rooney is currently the President and Chief Executive Officer of Northern Blizzard Resources Inc. since November 2009. From December 2007 to April 2009 Mr. Rooney was the Chief Executive Officer of Tusk Energy Inc., a public oil and gas company.
Dale E. Tremblay Alberta, Canada	Chief Executive Officer and Director	Chief Executive Officer since December 8, 2009; Director since December 22, 2009	Mr. Tremblay is the Chairman and Chief Executive Officer of Western Energy Services Corp. From August 2005 to December 2009, Mr. Tremblay was the President and Chief Executive Officer of Saxon Energy Services Inc.
Alex MacAusland Alberta, Canada	President & Chief Operating Officer	December 8, 2009	Mr. MacAusland is the President and COO of Western. From February 2008 to December 2009 Mr. MacAusland was the President and CEO of Horizon Drilling Inc., a western Canadian based drilling and service provider, From 2006 to 2008, Mr. MacAusland was the Senior Vice President of IROC Energy Services Corp.
Jeffrey K. Bowers Alberta, Canada	Vice President Finance & Chief Financial Officer	December 8, 2009	Mr. Bowers is the Vice President Finance and Chief Financial Officer of Westerrn. From April 2008 to Decembr 2009, Mr. Bowers was the Vice President Finance and CFO with Horizon Drilling Inc.
Jan M. Campbell Alberta, Canada	Corporate Secretary	December 22, 2009	Ms. Campbell is the President of Comply Inc., a consulting firm which provides corporate secretarial services, since December 2005.

Notes:
(1) Member of the Audit Committee.
(2) Member of the Corporate Governance and Compensation Committee.

As at April 20, 2011, the current officers and directors of Western, as a group, beneficially own or direct or control, directly and indirectly, an aggregate of 182,417,290 Common Shares, being approximately 18.71% of the outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

No director or executive officer of the Corporation is, as at the date of this Annual Information Form, or has been, within the last 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company, that:

(i) was subject to a cease trade order, a similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to a cease trade order, similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

Except as set forth below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(i) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation regarding bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(ii) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Dale E. Tremblay was a director of Liv Spa Inc., a private company that was placed into voluntary bankruptcy on August 22, 2008, which bankruptcy was completed on December 4, 2009.

Penalties or Sanctions

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Western will be subject in connection with the operations of Western. In particular, certain of the directors and officers of Western may be involved with other oilfield services entities whose operations may, from time to time, be in direct competition with those of Western or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Western. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event a director or officer of a company is a party to, or is a director or officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with Western, the director shall disclose his interest in such contract and, in the case of directors, shall refrain from voting on any matter in respect of such contract unless otherwise provided by the ABCA.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, there were no material interests, direct or indirect, of directors or executive officers of Western, any holder of Common Shares who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or is reasonably expected to materially affect Western.

MATERIAL CONTRACTS

The only material contracts entered into by Western during the most recently completed financial year, or before the most recently completed financial year that are still in effect, other than contracts entered into in the ordinary course of business, or entered into since the end of the most recently completed financial year, are as follows:

1. the Underwriting Agreement 2010 (as more particularly described under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*" above);

2. the Horizon Agreement (as more particularly described under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010"* above);

3. the Cedar Creek Agreement (as more particularly described under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*" above); and

4. the Pantera Agreement (as more particularly described under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*" above).

The documents referenced above have been filed on SEDAR and are available at www.sedar.com.

TRANSFER AGENT AND REGISTRAR OF THE CORPORATION

Valiant Trust Company, 310, 606 - 4th Street SW, Calgary, AB T2P 1T1, is the transfer agent and registrar of the Common Shares.

INTERESTS OF EXPERTS

Other than disclosed herein, there is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year.Deloitte & Touche LLP is the Auditor of the Corporation. Deloitte & Touche LLP, Chartered Accountants is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Western is not a party to any legal proceeding nor was it a party to, nor is or was any of its property the subject of any legal proceeding, during the financial year ended December 31, 2010, nor is Western aware of any such contemplated legal proceedings, which involve a claim for damages exclusive of interest and costs that may exceed 10% of the current assets of Western.

During the year ended December 31, 2010, there were no (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Common Shares and securities authorized for issuance under equity compensation plans, is contained in the Corporation's information circular for the most recent annual meeting of shareholders that involved the election of directors of Western.

Additional financial information is provided for in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2010.