Western Energy Services Corp.
Management's Discussion and Analysis

The following discussion of the financial condition, changes in financial condition and results of operations of Western Energy Services Corp. (the "Company" or "Western") should be read in conjunction with the audited annual consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2009 and 2008, the Company's management discussion and analysis ("MD&A") for the year ended December 31, 2009 as well as the Company's unaudited interim consolidated financial statements and notes as at September 30, 2010 and for the three and nine months ended September 30, 2010 and 2009. This management's discussion and analysis is dated November 18, 2010.

Selected Financial Information

(stated in thousands of Canadian dollars, except share and per share amounts)	After comprehensive revaluation	Before comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation
Financial Highlights	**Three Months Ended Sept 30, 2010**	**Three Months Ended Sept 30, 2009**	**Nine Months Ended Sept 30, 2010**	**Nine Months Ended Sept 30, 2009**
Revenue	19,320	921	37,035	2,787
EBITDA(1)	5,429	(226)	9,176	(558)
Cash from operating activities from continuing operations	3,241	(695)	6,958	(2,654)
Net income (loss) from continuing operations	10,523	(1,507)	22,140	(2,933)
- basic and diluted net income (loss) per share	0.02	(0.05)	0.05	(0.09)
Net income (loss)	10,154(2)	(1,650)	21,162(2)	(3,648)
- basic and diluted net income (loss) per share	0.02	(0.05)	0.05	(0.11)
Weighted average number of shares				
-basic	527,549,161	32,246,405	417,441,772	32,246,405
-diluted	552,431,255	32,246,405	448,351,277	32,246,405
Outstanding common shares as at period end	527,549,161	32,246,405	527,549,161	32,246,405
Dividends declared	-	-	-	-

Operating Highlights	**Three Months Ended Sept 30, 2010**	**Three Months Ended Sept 30, 2009**	**Nine Months Ended Sept 30, 2010**	**Nine Months Ended Sept 30, 2009**
Contract Drilling				
Contract drilling rig fleet (end of period)	15	-	15	-
Rate per drilling day	23,165	-	23,686(7)	-
Drilling rig utilization rate	61%	-	54%(3)	-
CAODC industry average utilization rate	40%	-	32%(3)	-
Production Services				
Jobs completed	509	298	1,614	921
Average revenue per job completed	5,570	3,091	4,714	3,026

Financial Position at	**September 30, 2010**	**December 31, 2009**	**September 30, 2009(4)**
Working capital(5)	10,203	836	(1,600)
Property and equipment	124,946	5,414	16,290
Total assets	143,698	12,219	17,731
Long term debt(6)	24,432	22	10,865

(1) Non-GAAP measure. See page 2.
(2) Includes an $8.7 million and $19.8 million non-recurring gain on acquisitions for the three and nine months ended September 30, 2010, respectively.
(3) Utilization rates calculated from the date of acquisition of the contract drilling segment (March 18, 2010)
(4) Includes results from both continuing and discontinued operations.
(5) Working capital is calculated as current assets less current liabilities, excluding the current portion of long term debt.
(6) Long term debt includes the current portion of long term debt.
(7) Includes shortfall commitment revenue of $1.2 million on a take-or-pay contract.

Non-GAAP Measures

Western uses certain measures in this discussion which do not have any standardized meaning as prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company.

EBITDA

Management believes that in addition to net income (loss) from continuing operations, earnings from continuing operations before interest and finance costs, taxes, depreciation, goodwill impairment, loss on sale of assets, gain on debt settlement, gain on business acquisitions, stock-based compensation, acquisition costs and foreign exchange gain (loss) (“EBITDA”) as derived from information reported in the Consolidated Statements of Income (Loss) is a useful supplemental measure as it provides an indication of the results generated by Western’s principal business activities prior to consideration of how those activities are financed, the impact of foreign exchange, how the results are taxed, how funds are invested, how non-cash charges, and onetime gains or losses on sales affect results.

Operating Earnings (Loss)

Management believes that in addition to net income (loss) from continuing operations, operating earnings (loss) is a useful supplemental measure as it provides an indication of the results generated by the Company’s principal operating segments prior to consideration of how those activities are financed or how the results are taxed.

The following table provides a reconciliation of net income (loss) under GAAP as disclosed in the Consolidated Statements of Income (Loss) to EBITDA and Operating Earnings (Loss).

	After comprehensive revaluation	Before comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation
(stated in thousands of Canadian dollars)	**Three Months Ended Sept 30, 2010**	**Three Months Ended Sept 30, 2009**	**Nine Months Ended Sept 30, 2010**	**Nine Months Ended Sept 30, 2009**
EBITDA	**5,429**	**(226)**	**9,176**	**(558)**
Depreciation	(2,086)	(427)	(4,024)	(1,304)
Operating earnings (loss)	**3,343**	**(653)**	**5,152**	**(1,862)**
Amortization of intangibles	(95)	-	(190)	-
Stock-based compensation	(167)	-	(366)	-
Loss on sale of assets	-	-	(11)	(2)
Gain on business acquisitions	8,720	-	19,814	-
Acquisition costs	(188)	-	(445)	-
Foreign exchange gain (loss)	(110)	(165)	128	(233)
Interest and finance costs	(163)	(90)	(521)	(237)
Goodwill impairment	-	(599)	-	(599)
Future income taxes	(817)	-	(1,421)	-
Net income (loss) from continuing operations	**10,523**	**(1,507)**	**22,140**	**(2,933)**

Overall Performance and Results of Operations

Western is an oilfield service company with operations in two industry segments: contract drilling and production services. Operations in the contract drilling segment are conducted through Western's wholly owned subsidiary Horizon Drilling Inc. ("Horizon"), which was acquired on March 18, 2010. Operations in the production services segment are conducted through Western's wholly owned subsidiary StimSol Canada Inc. ("Stimsol").

The drilling industry in Canada has continued to see improved activity throughout 2010, specifically the demand for rigs that have the ability to drill long reach horizontal wells safely and efficiently. Utilization in the contract drilling segment averaged 61% in the third quarter of 2010 as compared to an industry average of 40%.

Although the price for natural gas remains soft, oil prices have increased by 22% over 2009 levels. This has resulted in a 49% increase in the number of oil wells drilled in Canada in 2010 relative to 2009. This increased demand for oil, along with an emphasis on liquids rich natural gas, has primarily resulted in the drilling of horizontal wells in both conventional and unconventional resource plays. During 2010, Western's entire drilling fleet has been drilling horizontal wells, with approximately 71% drilling for oil.

In Western's production services segment, formations such as the Bakken, Cardium, and Montney continue to see increased demand for fracturing and pressure pumping services. As unconventional light and heavy oil plays continue to require more involved completions, demand for Western's production services continues to grow. Going forward the Company's focus will be on specializing in providing small to medium size acid and solvent packages. This focus will allow the Company to offer a complete package of transportation, pumping and chemical services in western Canada.

The key operational results for the three months ended September 30, 2010 are:

- On August 25, 2010 Western, through its wholly owned subsidiary Horizon, acquired all of the outstanding securities of Impact Drilling Ltd. ("Impact") by way of a plan of arrangement under the Business Corporations Act (Alberta). The total cost of the acquisition, including the assumption of debt, was approximately $19.8 million. Impact's assets consist of the following:

    - 3 Range III top drive telescopic single drilling rigs;
    - 1 top drive single drilling rig; and
    - Various ancillary drilling equipment.

  All four drilling rigs have top drives and pipe handling systems and are capable of drilling horizontal wells. Western is in the process of upgrading these drilling rigs to increase their horizontal depth capability to match comparable drilling rigs in the Western drilling fleet.

- Revenues increased by $18.4 million to $19.3 million in the third quarter of 2010 as compared to $0.9 million in the same period of the prior year. The increase reflects the acquisition of Horizon and Cedar Creek Drilling Ltd. ("Cedar Creek") on March 18, 2010, as well as the acquisition of Impact on August 25, 2010, which collectively accounted for contract drilling revenue of $16.5 million in the third quarter of 2010. During the third quarter, the contract drilling segment's revenue per operating day averaged $23,165 and the utilization rate averaged 61% as compared to the industry average of 40%. The remaining $1.9 million increase in revenue is due to increased utilization and improved pricing in Western's production services segment which completed 71% more jobs in the third quarter of 2010 at an average revenue per job 80% higher than in the third quarter of 2009.

- Net income from continuing operations in the third quarter of 2010 totalled $10.5 million as compared to a net loss of $1.5 million in the same period of the prior year. The increase in net income in the third quarter of 2010 relative to the net loss incurred in the same period of the prior year reflects operating earnings from the contract drilling segment of $3.7 million, a $1.0 million increase in operating earnings in the production services segment, and a $8.7 million gain on the acquisition of Impact, offset by $1.4 million in corporate and other costs, including $0.8 million in future tax expense.

- During the third quarter of 2010, Western's EBITDA (see non-GAAP measures on page 2) was positive $5.4 million, as compared to negative $0.2 million in the same period of the prior year. The $5.6 million increase in EBITDA is due to the acquisition of Horizon and Cedar Creek on March 18, 2010, and Impact on August 25, 2010 which collectively contributed $5.6 million to EBITDA in the third quarter of 2010 (or 34% of contract drilling revenue), and an increase in the production services segment EBITDA of $0.7 million to $0.8 million (or 29% of production services revenue) offset by an increase in corporate general and administrative costs.
- During the third quarter of 2010, corporate general and administrative expenses totalled $1.0 million, an increase of $0.7 million over the same period of the prior year and relatively unchanged from the second quarter of 2010. The increase is due to higher staffing levels and costs associated with Western's continued consolidation efforts in the Canadian oilfield service industry.
- Subsequent to quarter end, on October 18, 2010 Western and Pantera Drilling Income Trust ("Pantera") entered into an Arrangement Agreement whereby, subject to certain conditions, Western will acquire all of the issued and outstanding units of Pantera in exchange for shares of Western. Under the terms of the agreement, Pantera unitholders will receive 21.9048 common shares of Western for each income trust unit of Pantera held, resulting in the issuance of approximately 226 million Western shares. The total transaction value is approximately $64.1 million, including the assumption of debt and an ascribed value of $0.21 per Western Share. In accordance with CICA Handbook Section 1582, *Business Combinations*, the actual consideration will be determined based on the closing price of Western's shares immediately before the acquisition. Upon completion of the transaction, current Western shareholders will own approximately 72% of the combined entity and Pantera unitholders will collectively own approximately 28% on a fully diluted basis. The Pantera assets consist of the following:
    - 5 telescopic Efficient Long-Reach ("ELR") doubles with a depth rating of 3,600 metres;
    - 1 telescopic ELR double with a depth rating of 3,000 metres;
    - 1 telescopic single rig with a depth rating of 1,600 metres;
    - 3 top drives; and
    - Spare tubulars, matting and ancillary equipment.

Outlook

The drilling industry in Canada is moving towards drilling wells of increased complexity. Currently, the Company has a fleet of 15 drilling rigs which are specifically suited for today's drilling environment. Horizon's ELR single rigs are specifically designed with integrated top-drives, triplex mud pumps, mechanized pipe handling equipment and range III tubulars. Horizon's telescopic ELR doubles are also of modern design including necessary hook load capabilities, triplex mud pumps and are equipped with top-drives at the customer's request. Horizon's ELR triples are also designed with integrated top-drives, triplex mud pumps, mechanized pipe handling equipment including iron derrickman and range III tubulars.

With the strong market for oil and natural gas liquids, and the depressed market for natural gas, our customers are targeting oil and natural gas liquids-rich wells. Of the 62 wells drilled by the Company in the third quarter of 2010, 71% targeted oil, which is a trend that is expected to continue. The increased demand for oil and natural gas liquids has also led to an increase in the drilling of horizontal wells. During 2010, 43% of the wells drilled in western Canada were horizontal wells, representing a 59% increase over the prior year, all of which fits well with the Company's current rig fleet with respect to pumping capabilities, top-drive requirements, and depth capacities.

Currently the industry is experiencing a shortage of qualified people; however our fleet is fully crewed with qualified personnel. We believe our modern fleet and corporate culture will provide a distinct advantage in attracting qualified individuals. Horizon has a proven track record for delivering high quality equipment and well trained, highly skilled crews to its customers who rely on Horizon to drill increasingly complex long reach horizontal wells. As such, Horizon is well positioned for future growth.

During 2010, the Company's utilization rates have consistently been above industry average, due to our modern rig fleet, strong customer base, and solid reputation. We expect this trend to continue through the fourth quarter and into 2011. Additionally, with the integration of companies over 2010, Western has been able to justify better rates to our customers by delivering a solid product, adding capital and adapting to our changing customer needs.

Capital expenditures, excluding the acquisition of Pantera, are expected to be approximately $11 million in the fourth quarter of 2010, substantially consisting of the construction of a top drive telescopic ELR double drilling rig, capable of drilling long reach horizontal wells.

With the acquisition of Pantera, expected to close on December 17, 2010, the Company will acquire an additional seven highly utilized drilling rigs, which are staffed with qualified employees, and have a strong customer base. The Pantera acquisition will position the Company with 22 drilling rigs, of which 21 are contracted through the 2011 winter drilling season. This acquisition will result in the combined entity being the seventh largest contract driller in Canada.

Western has successfully integrated Horizon, Cedar Creek, and Impact into one contract drilling operation. By maintaining an above average utilization rate, improved contract drilling day rates and low personnel turnover, Western has established a strong platform to be able to integrate the expected acquisition of Pantera and its employees in the fourth quarter of 2010 as well as integrating future acquisitions.

During the fourth quarter of 2010, Western's production services segment, Stimsol, will finalize its 2010 capital spending program with the completion of two additional acid compatible pressure units and plans to exit 2010 with a fleet of 13 revenue generating units and three chemical transportation units.

Western continues to focus its efforts on consolidating within the Canadian oilfield service industry. Management believes the current market conditions in the Canadian oilfield service sector still provide opportunity to diversify via acquisition and organic growth into three core business lines comprised of contract drilling, service rigs, and rental and production services.

Comprehensive revaluation

On December 22, 2009, the Company completed a recapitalization and reorganization involving a non-brokered private placement of $7.0 million, the conversion of the Company's existing bridge lending facility, subordinated convertible debentures (including the cancellation of the related common share purchase warrants) and other specified obligations into common shares of Western, and the appointment of a new board of directors and a new management team. This transaction resulted in a realignment of Western's equity and non-equity interests. Prior to the recapitalization, the Company faced the prospect of being unable to meet obligations to creditors due to its deteriorating financial position. The outcome of the recapitalization and reorganization was a significant de-leveraging of Western's balance sheet. Total debt was reduced to approximately $0.2 million, significantly improving Westerns financial position to meet current and future market challenges.

As a result of the realignment of equity and non-equity interests, Western's identifiable assets and liabilities were recorded at a new cost basis, being the fair value, as required under Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1625 – "Comprehensive Revaluation of Assets and Liabilities". The process of undertaking such a comprehensive revaluation is commonly referred to as "fresh start accounting". The recapitalization and reorganization is described in Note 2 of our audited consolidated financial statements for the period ended December 31, 2009 as filed on SEDAR at www.sedar.com.

Segmented Information

As at September 30, 2010, Western operates in two main industry segments, contract drilling and production services. Subsequent to the discontinuation of the United States and international geographic operations in the second quarter of 2010, the Company only operates in Canada. Contract drilling includes drilling rigs along with related equipment. Production services include various oilfield services relating to stimulation and fluid pumping, nitrogen services, specialty solvents and laboratory services.

Segment Review of Contract Drilling Services

(stated in thousands of Canadian dollars)	Three Months Ended Sept 30, 2010	Nine Months Ended Sept 30, 2010(1)
Revenue	16,485	29,427
Expenses		
Operating	10,082	18,291
General and administrative	793	1,498
EBITDA(4)	5,610	9,638
Depreciation	1,859	3,421
Operating earnings(4)	3,751	6,217
Operating earnings as a percentage of revenue	23%	21%
Drilling revenue per operating day	23,165	23,686(2)
Drilling rig operating days (spud to release)	712	1,242
Number of metres drilled	146,562	246,101
Western's utilization rate	61%	54%(3)
CAODC industry average utilization rate	40%	32%(3)

(1) Contract Drilling segment acquired March 18, 2010.
(2) Includes shortfall commitment revenue of $1.2 million on a take-or-pay contract.
(3) Utilization rates calculated from the date of acquisition of the contract drilling segment (March 18, 2010).
(4) Non-GAAP measure. See page 2.

With the acquisitions of Horizon and Cedar Creek on March 18, 2010, the Company began operations in its contract drilling segment. On August 25, 2010, the Company completed the acquisition of Impact, which increased our drilling fleet by four rigs to a total of 15 rigs. For the three months ended September 30, 2010, the Company's contract drilling revenue was $16.5 million reflecting average revenue per operating day of $23,165 and a utilization rate of 61%, as compared to the industry average of 40%. During the third quarter, the Company drilled 62 wells for a total of 146,562 metres drilled. The Company's utilization in the third quarter was affected by wet weather in September, which limited the movement of our fleet, as well as the acquisition of Impact on August 25, 2010, which at the time of acquisition had a utilization rate of 25%. Throughout July and August, the Company's utilization averaged 71%. Subsequent to September 30, 2010, as weather conditions improved and the rigs acquired from Impact have been fully integrated into the Company's operations, utilization has been as high as 87%, including 75% utilization on the rigs acquired from Impact. Currently, the Company is upgrading one of the rigs acquired from Impact to meet our customer's requirements. This rig is expected to be operational in early December, and we expect it to be in demand through the winter drilling season.

For the period March 18, 2010 to September 30, 2010, the Company's contract drilling revenue was $29.4 million reflecting average revenue per day of $23,686 and a utilization rate of 54%, as compared to the industry average of 32%. During this period, the Company drilled 93 wells for a total of 246,101 metres drilled. The Company's utilization, which has been substantially higher than the industry average in 2010, reflects high quality assets, highly skilled rig crews and the strong customer base of the companies acquired in 2010.

For the three months ended September 30, 2010, contract drilling EBITDA of $5.6 million represents 34% of contract drilling revenue. For the period March 18, 2010 to September 30, 2010, contract drilling EBITDA of $9.6 million represents 33% of contract drilling revenue. The contract drilling segment's EBITDA as a percentage of contract drilling revenue reflects strong margins, above industry average utilization rates, and for the nine months ended September 30, 2010, $1.2 million of revenue related to commitment shortfalls on a take-or-pay contract.

Segment Review of Production Services

(stated in thousands of Canadian dollars)	Three Months Ended Sept 30 2010	2009	% Change	Nine Months Ended Sept 30 2010	2009	% Change
Revenue	2,835	921	208%	7,608	2,787	173%
Expenses						
Operating	1,724	645	167%	4,502	2,421	86%
General and administrative	300	195	54%	1,141	229	398%
EBITDA(1)	811	81	901%	1,965	137	1,334%
Depreciation	195	427	(54%)	548	1,303	(58%)
Operating earnings (loss)(1)	616	(346)	278%	1,417	(1,166)	222%
Operating earnings (loss) as a percentage of revenue	22%	(38%)	158%	19%	(42%)	145%
Jobs completed	509	298	71%	1,614	921	75%
Revenue per job completed	5,570	3,091	80%	4,714	3,026	56%

(1) Non-GAAP measure. See page 2.

For the three months ended September 30, 2010, production services revenue increased by $1.9 million, or 208%, to $2.8 million over the same period in the prior year. The increase reflects improved demand for fluid and pumping services, an increase in the Company's customer base and increased customer confidence due in part to the change in management and recapitalization that was completed in December 2009. As a result, the number of jobs completed in the third quarter of 2010 increased by 71% to 509 as compared to 298 in the same period of the prior year, coupled with an 80% improvement in the average revenue per job completed as compared to the same period in the prior year. During the third quarter of 2010, the Company successfully entered the southeast Saskatchewan market, which currently has 4 of the 11 production services units working in this area.

For the nine months ended September 30, 2010, production services revenue increased by $4.8 million, or 173%, to $7.6 million over the same period in the prior year. Due to the same reasons as previously mentioned, the number of jobs completed increased by 75% to 1,164 as compared to 921 in the prior year and average revenue per job completed increased by 56% in 2010 as compared to the same period in the prior year.

Production services EBITDA for the three months ended September 30, 2010 increased by $0.7 million, or 901%, to $0.8 million over the same period of the prior year. For the nine months ended September 30, 2010, EBITDA increased by $1.8 million, or 1,334%, to 2.0 million. For the three and nine months ended September 30, 2010, the production services segment's EBITDA represents 29% and 26% of production services revenue, respectively, a substantial improvement over the prior year. The increase in production services reflects stronger margins as a result of improved operations management and efficiencies coupled with increased activity in the oil and gas industry.

Corporate

	Three Months Ended Sept 30			Nine Months Ended Sept 30		
(stated in thousands of Canadian dollars)	**2010**	**2009**	**% Change**	**2010**	**2009**	**% Change**
Expenses						
General and administrative	993	270	268%	2,426	661	267%
Stock-based compensation	167	-	100%	366	-	100%
Interest and finance costs	163	90	81%	521	237	120%
Acquisition costs	188	-	100%	445	-	100%
Gain on business acquisition	(8,720)	-	100%	(19,814)	-	100%
Depreciation	32	-	100%	55	1	5400%

Corporate general and administrative expenses increased by $0.7 million and $1.8 million for the three and nine months ended September 30, 2010 respectively, as compared to the same period in the prior year. The increase is due to higher staffing levels and costs associated with Western's initial recapitalization and continued consolidation efforts in the Canadian oilfield service industry.

Stock-based compensation expense recorded for the three and nine months ended September 30, 2010 relates to stock options granted in 2010. No stock-based compensation was recorded for the three and nine months ended September 30, 2009.

Interest and finance costs increased by $73,000 and $284,000 for the three and nine months ended September 30, 2010, respectively, as compared to the same period in the prior year. The increase is due to the debt balances acquired from Horizon and Cedar Creek on March 18, 2010, and subsequently repaid in the second quarter of 2010, coupled with the acquisition of Impact on August 25, 2010 which was funded entirely using Western's available line of credit.

With the adoption of CICA Handbook Section 1582 effective January 1, 2010, acquisition costs and gains on business acquisitions are recorded through net income. For the three and nine months ended September 30, 2010, Western recorded acquisition costs of $0.2 million and $0.4 million, respectively, related to costs incurred on the acquisitions of Impact, Horizon and Cedar Creek. For the three months ended September 30, 2010, Western recorded a gain on the business acquisition of Impact of approximately $8.7 million. For the nine months ended September 30, 2010, Western recorded aggregate gains of $19.8 million on the acquisitions of Impact, Horizon, and Cedar Creek.

Corporate depreciation expense of $32,000 and $55,000 for the three and nine months ended September 30, 2010 respectively, relates to computer and office equipment used in Western's corporate head office.

Discontinued Operations

During the second quarter of 2010, management determined its United States and international production services divisions, included in the production services segment, would be disposed of in order for the Company to focus on its core business operations in western Canada. The disposal groups consisted of certain property and equipment including a building, field equipment and shop equipment used in the production services segment. Results from discontinued operations for the three and nine months ended September 30, 2010 and 2009 are as follows:

	Three months ended Sept 30		Nine months ended Sept 30	
	2010	2009	2010	2009
Revenue from discontinued operations:				
United States	$ -	$ 169	$ -	$ 1,245
International	13	125	55	288
	$ 13	$ 294	$ 55	$1,533
Net income (loss) from discontinued operations:				
United States	$ (108)	$ (201)	$ (664)	$ (810)
International	(261)	58	(314)	95
	$ (369)	$ (143)	$ (978)	$ (715)

The following table provides additional information with respect to amounts included in the September 30, 2010 unaudited consolidated balance sheet as assets and liabilities of discontinued operations.

	United States	International	Total
Current assets			
Accounts receivable	$ -	$ 35	$ 35
Prepaid expenses	-	4	4
Total current assets	$ -	$ 39	$ 39
Long term assets			
Property and equipment	$ 31	$ -	$ 31
Total long term assets	$ 31	$ -	$ 31
Current liabilities			
Accounts payable and accrued liabilities	$ 619	$ 316	$ 935
Total current liabilities	$ 619	$ 316	$ 935

Summary of Quarterly Results

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

	After comprehensive revaluation				Before comprehensive revaluation				
Three months ended (stated in thousands of Canadian dollars, except per share amounts)	Sept 30, 2010	June 30, 2010	March 31, 2010	Dec 31, 2009(1)	Dec 22, 2009(1)	Sept 30, 2009	June 30, 2009	March 31, 2009	Dec 31, 2008
Revenue	19,320	13,396	4,318	151	998	921	607	1,258	1,201
EBITDA(2)	5,429	3,151	543	(102)	(635)	(212)	(365)	17	(105)
Cash from (used in) operating activities	3,241	3,813	145	(436)	(2,421)	(187)	25	(181)	(364)
Income (loss) from continuing operations	10,523	(30)	11,539	(1,975)	(2,665)	(892)	(1,020)	(422)	(458)
per share – basic	0.02	-	0.06	(0.01)	(0.08)	(0.03)	(0.03)	(0.01)	(0.03)
per share – diluted	0.02	-	0.05	(0.01)	(0.08)	(0.03)	(0.03)	(0.01)	(0.03)
Income (loss)	10,154	(98)	11,106	(2,011)	(2,841)	(1,649)	(897)	(1,101)	(1,534)
per share - basic	0.02	-	0.06	(0.02)	(0.09)	(0.05)	(0.03)	(0.03)	(0.12)
per share - diluted	0.02	-	0.05	(0.02)	(0.09)	(0.05)	(0.03)	(0.03)	(0.12)
Total assets	143,698	115,431	151,452	12,219	12,712	17,731	19,216	20,629	22,398
Long term financial liabilities	25,115	11,740	46,041	65	65	279	566	650	764
Dividends declared	-	-	-	-	-	-	-	-	-

(1) The fourth quarter of 2009 has been split into two periods, to reflect Western's results before and after the comprehensive revaluation completed on December 22, 2009.
(2) Non-GAAP measure. See page 2.

Liquidity and Capital Resources

On March 18, 2010, Western completed a public offering of 375 million common shares at a price of $0.20 per share for gross proceeds of $75 million which was used to acquire Horizon and pay down the debt of Horizon and Cedar Creek. Each of Horizon and Cedar Creek were, at the time of acquisition, privately held companies engaged in the operation of contract drilling rigs in the western Canadian sedimentary basin. These acquisitions provided Western with immediate cash flow and key human resource capabilities.

On April 15, 2010, Western announced the increase of its credit facility with its existing lender. The credit facility consists 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 is to assist the Company in completing corporate acquisitions and financing the construction of additional equipment. In addition, the Revolving Facility was initially used to consolidate certain indebtedness acquired from Horizon and Cedar Creek. As at September 30, 2010, the Company had approximately $22 million in available credit under the Revolving Facility and $5 million under the Operating Facility. These loans require interest to be paid monthly with no scheduled principal repayment unless the Revolving Facility is not extended. If not extended, the Revolving Facility is capped and repayable over the ensuing two year period commencing in July 2011 by monthly principal and interest payments. Amounts borrowed under the Operating Facility will bear interest at the bank's prime rate plus 1.5% and amounts borrowed under the Revolving Facility will bear interest at the Company's option of either the bank's prime rate plus 1.5% to 2.0% or the banker's acceptance rate plus 3.0% to 3.5% depending, in each case, on the ratio of funded debt to EBITDA. Western's increased credit facility is subject to the following financial covenants:

	Covenant	As at Sept 30, 2010
Current assets to current liabilities	1.25 to 1.00 or more	2.25
Funded debt to EBITDA	2.5 to 1.0 or less	1.33
Funded debt to capitalization	0.60 to 1.0 or less	0.19
Revolving Facility balance to net book value of fixed assets	Less than 45%	18%

On August 25, 2010, Western completed the acquisition of Impact for total consideration of $19.8 million, including the assumption of debt. The acquisition of Impact was funded entirely using Western's Revolving Facility.

As at September 30, 2010, Western had a positive working capital balance of $10.2 million, relatively unchanged from the $11.1 million balance as at June 30, 2010, and a $9.4 million improvement from the $0.8 million balance at December 31, 2009. Long term debt at September 30, 2010 was $24.4 million, an increase of $20.1 million over the June 30, 2010 balance due to the acquisition of Impact. With the expected closing of the acquisition of Pantera in December 2010, Western's net debt is expected to increase by approximately $16.6 million. Additionally, the construction of a top drive telescopic ELR double drilling rig with a depth rating of 4,500 metres, expected to be commissioned during the first quarter of 2011, will be financed through a combination of operating cash flow and available lines of credit. Western expects the credit available under the existing Revolving Facility and Operating Facility will be sufficient to close the Pantera acquisition and complete the 2010 capital program. Western intends to continue to employ a conservative debt to annualized EBITDA ratio.

During the three months ended September 30, 2010, Western generated operating cash flow from continuing operations of positive $3.2 million as compared to negative cash flow of $0.7 million in the same period of the prior year. The increase in operating cash flow from continuing operations is mainly attributed to the acquisitions of Horizon and Cedar Creek on March 18, 2010, and to a lesser extent Impact on August 25, 2010, which contributed operating cash flow of $2.6 million in the third quarter, while operating cash flow contributed by Western's production services segment of $1.0 million was offset by negative cash flow from corporate activities of $0.3 million. The same factors led to an increase in cash flow from continuing operations for the nine months ended September 30, 2010 to positive $7.0 million as compared to negative $2.7 million in the same period of the prior year.

During 2010, Western announced that it would be ceasing its current operations in the United States and internationally and has subsequently classified these as discontinued operations. Western has redeployed certain assets held in the United States to its Canadian operations and completed the sale of the remaining assets in the United States. During the three and nine months ended September 30, 2010, Western has completed asset sales of $0.4 million and $3.3 million, respectively, including the sale of $1.7 million in U.S. assets. Subsequent to September 30, 2010, Western sold auxiliary drilling equipment, acquired as part of the Impact acquisition, for $2.6 million.

Contractual Obligations

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

	Payments due by period				
(stated in thousands of Canadian dollars)	**Total**	**2010**	**2011 to 2012**	**2013 to 2014**	**2015 and beyond**
Operating leases	$ 4,054	$ 341	$ 2,298	$ 1,415	$ -
Capital commitments	13,870	9,903	3,967	-	-
Purchase commitments	161	161	-	-	-
Total	**$ 18,085**	**$ 10,405**	**$ 6,265**	**$ 1,415**	**$ -**

Outstanding Share Data

	Nov 18, 2010	**Sept 30, 2010**	**Dec 31, 2009**
Common shares outstanding	527,549,161	527,549,161	132,031,830
Warrants outstanding	50,500,000	50,500,000	50,500,000
Stock options outstanding	18,753,334	18,203,334	170,003

Off Balance Sheet Arrangements

As at September 30, 2010, Western had no off balance sheet arrangements in place.

Transactions with Related Parties

Subsequent to September 30, 2010, Western sold auxiliary drilling equipment acquired as part of the Impact acquisition, via an open bid process, for $2.6 million to a company that shares common directors with Western. The agreed upon sales price was deemed to be at fair value.

Changes in Accounting Policies

The following new Canadian accounting standards were released in 2009 with an effective date of January 1, 2011 with early adoption permitted. Western has elected to early adopt these standards effective January 1, 2010:

- Section 1582 "Business Combinations" requires most assets acquired and liabilities assumed, including contingent consideration to be measured at fair value and that all acquisition costs be expensed. The adoption of this standard impacted the accounting for the business combinations completed in 2010. See Note 4 of the September 30, 2010 unaudited interim financial statements filed on SEDAR at www.sedar.com.
- Section 1602 "Non-controlling Interests" requires that non-controlling interests be recognized as a separate component of equity and that net earnings be calculated without a deduction for non-controlling interest. The adoption of this standard did not have a material impact on the financial statements of the Company.
- Section 1601 "Consolidated Financial Statements" establishes standards for the preparation of consolidated financial statements. The adoption of this standard did not have a material impact on the financial statements of the Company.

Financial Instruments

Fair Values

The Company measures and reports its financial assets and liabilities at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To obtain fair values, observable market prices are used if available. In some instances, observable market prices are not readily available for certain financial instruments and fair value is determined using present value or other techniques appropriate for a particular financial instrument. These techniques involve some degree of judgment and as a result are not necessarily indicative of the amounts the Company would realize in a current market exchange. The use of different assumptions or estimation techniques may have a material effect on the estimated fair value amounts. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect the Company's market assumptions. The Company uses a three-level hierarchy for disclosure to show the extent and level of judgement used to estimate fair value measurements:

1. Level 1 inputs – Quoted prices in active markets for identical assets or liabilities.

2. Level 2 inputs – Quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities; and valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly.

3. Level 3 inputs – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's cash and cash equivalents is the only financial asset or liability measured using fair value and is a level 1 measurement.

Credit Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

The Company is exposed to foreign exchange fluctuations in relation to its United States and international operations, which were discontinued during 2010.

Liquidity Risk

Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they become due.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA's Accounting Standards Board confirmed transition timing for publicly accountable enterprises in Canada to adopt International Financial Reporting Standards ("IFRS").

Accordingly, the Company will be required to adopt IFRS on January 1, 2011, including reporting for interim periods in fiscal 2011.

The Company's transition project includes three phases:

• Phase 1 – Diagnostic;

• Phase 2 – Development; and

• Phase 3 – Implementation.

A Project Management Team has been set up and the Company has engaged external advisers to assist with the transition. The project team has been involved in discussions with the Company's external auditors.

Completion of the Diagnostic phase in the third quarter of 2010, involved a high level review of the major differences between current Canadian GAAP and IFRS and the creation of a project plan. The key areas determined to have the highest potential impact to the Company under IFRS financial reporting include property and equipment; IFRS 1 - first time adoption of IFRS; financial statement presentation and disclosures; and asset impairments.

We are currently engaged in the Development phase of our project. The project team continues to focus on generating alternatives and making recommendations in the identified areas. However, the impact of IFRS on the Company's consolidated financial statements is not reasonably determinable or estimable at this time.

The following are key areas identified on the transition to IFRS:

IFRS 1 – First-time Adoption of IFRS

Other IFRS 1 first-time adoption exemptions and elections available upon initial transition that provide relief from retrospective application of IFRS that are being considered by the Company are as follows:

- Business combinations – the Company is expected to elect to use Canadian GAAP for any business combinations that occurred before January 1, 2010.
- Share-based payment transactions – this exemption allows any share-based payments vesting before January 1, 2010 to be exempt from IFRS 2 "Share-based Payment."
- Compound Financial Instruments – this exemption allows an entity to use its Canadian GAAP accounting treatment for compound financial instruments where the liability has been settled prior to January 1, 2010.

Financial Statement Presentation and Disclosure

IFRS requirements for financial statement presentation and disclosure are currently being reviewed in conjunction with the preparation of IFRS draft financial statements and notes. Drafting of IFRS-compliant financial statements is expected to be completed during the first quarter of 2011.

Property and Equipment

The Company determined that accounting for property and equipment may be impacted significantly by the conversion to IFRS. Resources were assigned to focus on analyzing and developing implementation strategies and processes for this key IFRS. Management is in the process of designing an approach to determining components, assets lives, depreciation mechanics, and residual values. The Company is in the process of implementing and testing applicable modifications to its accounting system to facilitate these proposed changes.

Under IFRS, the Company can select either the cost model or the revaluation model as the measurement basis for property and equipment. The Company believes the cost model is the most appropriate alternative for recognition and measurement of ongoing asset transactions after its adoption of IFRS.

The deemed cost IFRS 1 exemption allows the use of fair value as deemed cost for property and equipment on transition date which for the Company will be January 1, 2010. This exemption offers relief to entities from adjustments resulting from retrospective adoption of IFRS. The deemed cost on transition date effectively becomes historical cost on the opening balance sheet under IFRS. The Company expects to use this exemption for certain items of property and equipment. The anticipated financial statement impact on transition is expected to be limited given the application of fresh start accounting under Canadian GAAP in December 2009 where the Company's property and equipment balances were adjusted to its fair value at that time.

Asset Impairments

Management is in the process of finalizing an approach for identifying cash-generating units and assessing the value in use of cash generating units. The anticipated financial statement impact, if any, will be to property and equipment, intangible assets, future income taxes and retained earnings on the transition date. Given that fair values were assigned to the Company's assets in December 2009, the associated impact of the January 1, 2010 transition of this standard is expected to be limited.

Other Development Phase Activities

Other activities integral to the Development phase are as follows:

- assessing the impact of proposed IFRS changes on its various information systems;
- preparing changes to existing business processes, if necessary;
- monitoring the resultant impact on the Company's disclosure controls and procedures ("DC&P") as well as the Company's internal control over financial reporting ("ICFR"); and
- monitoring corporate governance over the project.

Business Risks

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

- Competition among related service companies is significant. Many competitors are substantially larger and have substantially greater revenues than the Company and overall greater financial resources. The Company's ability to generate revenues depends on its ability to attract and win contracts and to perform services.
- Currently the Company is focused on providing services in the western Canadian sedimentary basin, which exposes the Company to market fluctuations in specific locations which may be more extreme than the overall industry conditions.
- The success of the Company is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Company.
- The Company has a limited history of operations. Failure to achieve projected rates of market penetration or commercial acceptance could significantly affect its success.
- The Company's business is subject to the operating risks inherent to the oilfield service industry. On occasion, substantial liabilities to third parties may be incurred. The Company will have the benefit of insurance maintained by it and industry standard contracts, however, it may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

- The Company is vulnerable to market prices. Fixed costs, including costs associated with operations, leases, labour costs and depreciation account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, or other factors could significantly affect its revenues and financial results.
- The Company's business relies on the oil and gas exploration and production industry which is subject to a number of risks. General economic conditions, fluctuations in demand and supply of production components, fluctuations in commodity prices, competition and increases in operating costs are some of them. In addition, changes may occur in government regulation, including regulations relating to prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and natural gas and environmental protection for the oil and gas industry as a whole. Risks affecting the oil and gas exploration and production business may also affect the Company's business. The exact effect of these risks cannot be accurately predicted.
- The oilfield services industry has experienced a high degree of invention and innovation. It is possible that new technology will be developed which will compete with the Company's products and services.
- A portion of the operations of the Company and all of the discontinued operations of the Company, are in the United States, Mexico and Latin America, which subject the Company to currency fluctuations and different tax and regulatory laws.

Forward-looking statements

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

In particular, such forward-looking statements include:

a) "During 2010, the Company's utilization rates have consistently been above industry average, due to our modern rig fleet, strong customer base and solid reputation. We expect this trend to continue through the fourth quarter and into 2011."

   The forgoing assumes that drilling for oil and gas wells in Western Canada will continue at the present numbers or better, and that the Company will maintain utilization rates that have been significantly higher than the industry average. There is no assurance that drilling will not decrease or that the Company's utilization rates will be as high as recently experienced.

b) "With the acquisition of Pantera expected to close on December 17, 2010, the Company will acquire an additional seven highly utilized drilling rigs, which are staffed with qualified employees, and have a strong customer base. The Pantera acquisition will position the Company with 22 drilling rigs, of which 21 are contracted through the 2011 winter drilling season. This acquisition will result in the combined entity being the seventh largest contract driller in Canada."

   There is no assurance that all of the conditions to the Pantera transaction will be met and therefore there is a risk that the Pantera transaction will not be completed.

As such, many factors could cause the performance or achievement of Western or Pantera to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Additional Data

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