Western Energy Services Corp.

Condensed Consolidated Financial Statements

March 31, 2012 and 2011

(Unaudited)

Western Energy Services Corp.

Condensed Consolidated Balance Sheets (Unaudited)
(thousands of Canadian dollars)

	Note	March 31, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents		$ 39,151	$ -
Trade and other receivables		99,262	83,314
Inventory		466	1,039
Prepaid expenses and other current assets		7,746	2,981
		146,625	87,334
Non current assets			
Property and equipment	5	500,130	473,930
Goodwill		55,527	55,527
Deferred taxes		2,971	2,499
Other non current assets		808	355
		$ 706,061	$ 619,645
Liabilities			
Current liabilities			
Trade payables and other current liabilities		$ 43,278	$ 39,075
Current portion of provisions		174	172
Current portion of long term debt	6	1,248	8,213
		44,700	47,460
Non current liabilities			
Provisions		151	184
Long term debt	6	171,570	108,039
Deferred taxes		53,527	49,637
		269,948	205,320
Shareholders' equity			
Share capital	7	319,698	319,698
Contributed surplus		4,188	3,625
Retained earnings		112,333	89,325
Accumulated other comprehensive (loss) income		(106)	1,677
		436,113	414,325
		$ 706,061	$ 619,645

The accompanying notes are an integral part of these condensed consolidated financial statements.

Western Energy Services Corp.

Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)
(thousands of Canadian dollars except share amounts)

	Note	Three months ended March 31, 2012	Three months ended March 31, 2011
Revenue		$ 110,887	$ 50,093
Operating expenses		70,480	33,537
Gross profit		40,407	16,556
Administrative expenses		6,586	2,642
Finance costs	10	2,781	562
Other items		31	(963)
Income from continuing operations before taxes		31,009	14,315
Income taxes	11	8,001	3,997
Net income from continuing operations	12	23,008	10,318
Income from discontinued operations (net of tax)		-	(1,026)
Net income		23,008	11,344
Change in fair value of available for sale assets (net of tax)		336	(16)
Translation of foreign operations		786	-
Unrealized foreign exchange on net investment in subsidiary (net of tax)		661	-
Comprehensive income		$ 21,225	$ 11,360
Net income per share from continuing operations:			
Basic		$ 0.39	$ 0.27
Diluted		$ 0.38	$ 0.26
Net income per share from discontinued operations:			
Basic		$ -	$ 0.03
Diluted		$ -	$ 0.03
Net income per share:			
Basic		$ 0.39	$ 0.30
Diluted		$ 0.38	$ 0.28
Weighted average number of shares:			
Basic		58,533,287	38,001,777
Diluted		60,764,266	39,932,812

The accompanying notes are an integral part of these condensed consolidated financial statements.

Western Energy Services Corp.

Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
(thousands of Canadian dollars)

	Note	Share capital	Contributed surplus (1)	Retained earnings	Accumulated other comprehensive income (loss)(2)	Total shareholders' equity
Balance at December 31, 2010		$ 159,895	$ 2,359	$ 24,579	$ -	$ 186,833
Issue of common shares (net of issue costs)	7	70,921	-	-	-	70,921
Stock based compensation		-	175	-	-	175
Stock based compensation - discontinued operations		-	29	-	-	29
Comprehensive income		-	-	11,344	16	11,360
Balance at March 31, 2011		230,816	2,563	35,923	16	269,318
Issue of common shares (net of issue costs)	7	89,039	-	-	-	89,039
Cancellation of common shares	7	(157)	-	-	-	(157)
Stock based compensation		-	1,160	-	-	1,160
Stock based compensation - discontinued operations		-	(98)	-	-	(98)
Comprehensive income		-	-	53,402	1,661	55,063
Balance at December 31, 2011		319,698	3,625	89,325	1,677	414,325
Stock based compensation		-	563	-	-	563
Comprehensive income (loss)		-	-	23,008	(1,783)	21,225
Balance at March 31, 2012		$ 319,698	$ 4,188	$ 112,333	$ (106)	$ 436,113

(1) Contributed surplus relates to stock based compensation described in Note 8.

(2) At March 31, 2012, the accumulated other comprehensive income (loss) balance consists of the translation of foreign operations, unrealized foreign exchange on net investment in subsidiary and the change in fair value of available for sale assets.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Western Energy Services Corp.

Condensed Consolidated Statements of Cash Flows (Unaudited)
(thousands of Canadian dollars)

	Note	Three months ended March 31, 2012	Three months ended March 31, 2011
Operating activities			
Net income from continuing operations		$ 23,008	$ 10,318
Adjustments for:			
Depreciation included in operating expenses		9,664	4,783
Depreciation included in administrative expenses		194	54
Stock based compensation included in operating expenses		142	49
Stock based compensation included in administrative expenses		421	126
Gain on sale of assets		(12)	(1,178)
Income taxes	11	8,001	3,997
Unrealized foreign exchange loss		77	38
Finance costs		2,781	562
Other		(39)	(109)
Cash generated from operating activities		44,237	18,640
Taxes paid		(2,055)	(98)
Change in non-cash working capital		(16,465)	(9,765)
Continuing operations		25,717	8,777
Discontinued operations		-	837
Cash flow from operating activities		25,717	9,614
Investing activities			
Additions to property and equipment		(36,403)	(14,939)
Proceeds on sale of property and equipment		292	2,430
Purchase of other assets		(5,804)	(374)
Changes in non-cash working capital		265	(5,002)
Continuing operations		(41,650)	(17,885)
Discontinued operations		-	101
Cash flow used in investing activities		(41,650)	(17,784)
Financing activities			
Issue of common shares	7	-	75,075
Share issue costs		-	(4,154)
Payment of long term debt		(115,217)	(18,094)
Issuance of senior notes	6	175,000	-
Issue costs of senior notes	6	(4,500)	-
Finance costs paid		(256)	(504)
Change in non-cash working capital		57	48
Cash flow from financing activities		55,084	52,371
Increase in cash and cash equivalents		39,151	44,201
Cash and cash equivalents, beginning of period		-	3,475
Cash and cash equivalents, end of period		$ 39,151	$ 47,676
Cash and cash equivalents:			
Bank accounts		$ 4,162	$ 47,676
Short term investments		34,989	-
		$ 39,151	$ 47,676

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Reporting entity:

Western Energy Services Corp. ("Western") is a company domiciled in Canada. The address of the registered office is 900, 606 – 4th Street SW, Calgary, Alberta. Western is a publicly traded company that is listed on the Toronto Stock Exchange under the symbol "WRG". These condensed consolidated financial statements ("Financial Statements") as at and for the three months ended March 31, 2012 and 2011 are comprised of Western and its wholly owned subsidiaries (together referred to as the "Company"). The Company operates in the Canadian and United States oilfield service industry through its contract drilling and well servicing segments. Contract drilling operations in Canada are conducted through Western's wholly owned subsidiaries, Horizon Drilling Inc. ("Horizon"), and in the United States through Stoneham Drilling Corporation ("Stoneham"), which was acquired on June 10, 2011. In addition, beginning in 2012, the Company operates in the well servicing segment in Canada through Western's wholly owned subsidiary, Matrix Well Servicing Inc. ("Matrix"). On September 13, 2011, Western sold all of the shares owned and debt owing from its wholly owned subsidiary, StimSol Canada Inc. ("StimSol"), and as such prior period results relating to StimSol have been reclassified as discontinued operations.

2. Basis of preparation and significant accounting policies:

Statement of compliance:

These Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board and using the Company's accounting policies described in the audited annual consolidated financial statements as at and for the years ended December 31, 2011 and 2010.

These Financial Statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the years ended December 31, 2011 and 2010, which outline the Company's significant accounting policies in Note 3 thereto, as well as the Company's critical accounting judgements and key sources of estimation uncertainty as set out in Note 4 thereto, which have been applied consistently in these Financial Statements.

These Financial Statements were approved for issuance by the Board of Directors on May 9, 2012.

3. Seasonality:

The Company's operations in Canada are often weather dependent, which has a seasonal effect. During the first quarter, the frozen conditions allow oil and gas companies to move heavy equipment to otherwise inaccessible areas and the resulting demand for services, such as those provided by the Company, is high. The second quarter is normally a slower period due to wet conditions creating weight restrictions on roads and reducing the mobility of heavy equipment, which slows activity levels in the industry. The third and fourth quarters are usually representative of average activity levels. Therefore, interim periods may not be representative of the results expected for the full year of operation due to seasonality.

4. Operating segments:

The Company operates in the Canadian and United States oilfield service industry through its contract drilling and well servicing segments. In June 2011, the Company entered into the United States through the acquisition of Stoneham Drilling Trust. Contract drilling includes drilling rigs along with related auxiliary equipment and provides contract drilling services to oil and natural gas exploration and production companies. During the first quarter of 2012, the Company began operations in the well servicing segment in Canada. Well servicing includes service rigs along with related equipment for work over services and well completions

The Company's Chief Executive Officer ("CEO") reviews internal management reports for these segments on at least a monthly basis.

Information regarding the results of the segments are included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Company's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment profit is calculated as revenue less cash operating expenses less cash administrative expenses less depreciation expense.

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

4. Operating segments (continued):

The following is a summary of the Company's results by segment for the three months ended March 31, 2012 and 2011:

Three months ended March 31, 2012	Contract Drilling	Well Servicing	Corporate	Total
Continuing Operations:				
Revenue	$ 110,638	$ 249	$ -	$ 110,887
Segment profit (loss)	36,593	(711)	(1,498)	34,384
Finance costs	(196)	(48)	3,025	2,781
Income taxes	8,425	(207)	(217)	8,001
Depreciation	9,717	51	90	9,858
Additions to property and equipment	32,326	3,417	660	36,403

Three months ended March 31, 2011	Contract Drilling	Well Servicing	Corporate	Total
Continuing Operations:				
Revenue	$ 50,093	$ -	$ -	$ 50,093
Segment profit (loss)	15,292	-	(1,203)	14,089
Finance costs	(46)	-	608	562
Income taxes	3,997	-	-	3,997
Depreciation	4,802	-	35	4,837
Additions to property and equipment	14,933	-	6	14,939

Total assets and liabilities from continuing operations of reportable segments are as follows:

As at March 31, 2012	Contract Drilling	Well Servicing	Corporate	Total
Total assets	$ 648,077	$ 9,658	$ 48,326	$ 706,061
Total liabilities	90,572	1,212	178,164	269,948

As at March 31, 2011	Contract Drilling	Well Servicing	Corporate	Total
Total assets	$ 269,908	$ -	$ 46,133	$ 316,041
Total liabilities	28,913	-	28,951	57,864

A reconciliation of segment profit to income before taxes is as follows:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Continuing operations:		
Segment profit	$ 34,384	$ 14,089
Add (deduct):		
Stock based compensation	(563)	(175)
Finance costs	(2,781)	(562)
Other items	(31)	963
Income from continuing operations before taxes	$ 31,009	$ 14,315

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

4. Operating segments (continued):

Segmented information from continuing operations by geographic area is as follows:

As at and for the period ended March 31, 2012	Canada	United States	Total
Revenue	$ 98,961	$ 11,926	$ 110,887
Property and equipment	419,726	80,404	500,130
Total assets	612,512	93,549	706,061

As at and for the period ended March 31, 2011	Canada	United States	Total
Revenue	$ 50,093	$ -	$ 50,093
Property and equipment	197,205	-	197,205
Total assets	316,041	-	316,041

5. Property and equipment:

	Land	Buildings	Drilling rigs and related equipment	Well servicing equipment	Shop and office equipment	Vehicles under finance leases	Total
Cost:							
Balance at December 31, 2011	$ 4,974	$ 3,344	$ 488,478	$ 5,440	$ 1,813	$ 711	$ 504,760
Additions	-	6	32,182	3,387	828	-	36,403
Non-cash additions:							
Capitalized interest	-	-	234	49	-	-	283
Finance leases	-	-	-	-	-	622	622
Disposals	-	-	(314)	-	-	-	(314)
Impact of foreign exchange	-	-	(1,238)	-	-	-	(1,238)
Balance at March 31, 2012	$ 4,974	$ 3,350	$ 519,342	$ 8,876	$ 2,641	$ 1,333	$ 540,516
Depreciation:							
Balance at December 31, 2011	$ -	$ 158	$ 30,021	$ 1	$ 545	$ 105	$ 30,830
Depreciation for the period	-	44	9,532	32	178	72	9,858
Disposals	-	-	(34)	-	-	-	(34)
Impact of foreign exchange	-	-	(268)	-	-	-	(268)
Balance at March 31, 2012	$ -	$ 202	$ 39,251	$ 33	$ 723	$ 177	$ 40,386
Carrying amounts:							
At December 31, 2011	$ 4,974	$ 3,186	$ 458,457	$ 5,439	$ 1,268	$ 606	$ 473,930
At March 31, 2012	$ 4,974	$ 3,148	$ 480,091	$ 8,843	$ 1,918	$ 1,156	$ 500,130

Assets under construction:

Included in property and equipment at March 31, 2012 are assets under construction of $21.2 million (December 31, 2011: $25.4 million) of which $19.6 million relates to the contract drilling segment including the construction of five telescopic Efficient Long Reach double drilling rigs as well as ancillary drilling equipment and $1.6 million relates to the construction of well servicing rigs.

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

6. Long term debt:

This note provides information about the contractual terms of the Company's long term debt instruments.

	March 31, 2012	December 31, 2011
Current:		
Operating Facility [(a)]	$ -	$ 7,144
Bank mortgage	1,027	1,044
Finance lease obligations	221	25
Total current portion of long term debt	1,248	8,213
Non current:		
Revolving Facility [(a)]	-	108,000
Finance lease obligations	411	39
Senior Notes [(b)]	175,000	-
Less: net unamortized issue costs on Senior Notes	(3,841)	-
Total non current portion of long term debt	171,570	108,039
Total long term debt	$ 172,818	$ 116,252

(a) Credit facilities:

Western's credit facilities consist of a $10.0 million operating demand revolving loan (the "Operating Facility"), and a $125.0 million committed three year extendible revolving credit facility (the "Revolving Facility") which matures on June 7, 2014. As a result of the issuance of the Senior Notes on January 30, 2012, Western voluntarily reduced its Revolving Facility from $150.0 million to $125.0 million. The Operating Facility principal balance is due on demand with interest paid monthly. The Revolving Facility requires interest to be paid monthly with no scheduled principal repayments unless the Revolving Facility is not extended by the maturity date.

Amounts borrowed under the Operating and Revolving Facilities bear interest at the bank's prime rate, US base rate, LIBOR, or the banker's acceptance rate plus an applicable margin depending, in each case, on the ratio of Consolidated Debt to Consolidated EBITDA as defined by the relevant agreement. The credit facilities are secured by the assets of Western. As at March 31, 2012, the Company had $125.0 million in available credit under the Revolving Facility and $10.0 million under the Operating Facility.

The Company's credit facilities are subject to the following financial covenants:

	Covenant
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio [(1)(2)(3)]	2.0:1.0 or less
Maximum Consolidated Debt to Consolidated Capitalization Ratio	0.6:1.0 or less
Minimum Consolidated EBITDA to Consolidated Interest Expense Ratio	2.5:1.0 or more

(1) In the event of a material acquisition during any fiscal quarter, the ratio shall increase by 0.50 for 90 days following the material acquisition.

(2) The Maximum Consolidated Senior Debt to Consolidated EBITDA ratio was reduced to 2.0:1.0 after the issuance of the Senior Notes.

(3) Consolidated EBITDA is defined as consolidated net income (loss), plus interest, income taxes, depreciation and amortization and any other non-cash items or extraordinary or non-recurring losses, less gain on sale of property and equipment and any other non-cash items or extraordinary or non-recurring gains that are included in the calculation of consolidated net income.

As at March 31, 2012 and December 31, 2011, the Company was in compliance with all covenants related to its credit facilities.

(b) Senior Notes:

On January 30, 2012, the Company completed a private placement of $175.0 million aggregate principal amount of 7⅞% senior unsecured notes (the "Senior Notes"). The Senior Notes were issued at par value and are due on January 30, 2019. The Senior Notes contain certain early redemption options which the Company has the option to redeem all or a portion of the Senior Notes at various redemption prices, which include the principal amount plus accrued and unpaid interest, if any, to the applicable redemption date. Interest is payable semi-annually on January 30 and July 30, commencing on July 30, 2012. These Senior Notes are unsecured, ranking equal in right of payment to all existing and future unsecured indebtedness, and have been guaranteed by the Company's current and future subsidiaries. The Senior Notes Indenture contains certain restrictions relating to items such as making restricted payments and incurring additional debt.

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

6. Long term debt (continued):

(b) Senior Notes (continued):

The early redemption options of the Senior Notes have been determined to be an embedded derivative for accounting purposes and recorded at their fair value of approximately $0.6 million at inception. This amount has been included in the carrying value of the Senior Notes together with debt issue costs. At March 31, 2012, the fair value of the embedded derivative was unchanged since the issuance of the Senior Notes.

At March 31, 2012, the fair value of the Senior Notes was approximately $178.7 million.

7. Common shares:

At March 31, 2012, the Company was authorized to issue an unlimited number of common shares.

The following table summarizes the movements in Western's share capital:

Common shares	Issued and outstanding shares		Amount
Balance, December 31, 2010	37,680,944	$	159,895
Issued for cash - March 29, 2011	9,625,000		75,075
Issued for cash - April 1, 2011	1,443,750		11,261
Issued on acquisition of Stoneham	9,803,678		76,469
Cancellation of common shares	(20,085)		(157)
Issue costs net of deferred tax	-		(2,845)
Balance, December 31, 2011 and March 31, 2012	58,533,287	$	319,698

8. Stock based compensation:

Stock options:

The Company's stock option plan provides for stock options to be issued to directors, officers, employees and consultants of the Company so that they may participate in the growth and development of Western. Subject to the specific provisions of the stock option plan, eligibility, vesting period, terms of the options and the number of options granted are to be determined by the Board of Directors at the time of grant. The stock option plan allows the Board of Directors to issue up to 10% of the Company's outstanding shares as stock options.

The following table summarizes the movements in Western's outstanding stock options:

	Stock options outstanding		Weighted average exercise price
Balance, December 31, 2010	1,032,583	$	5.70
Granted	1,358,500		7.86
Expired/Forfeited	(290,083)		6.87
Balance, December 31, 2011	2,101,000		6.94
Granted	60,000		8.64
Expired/Forfeited	(30,000)		7.94
Balance, March 31, 2012	2,131,000	$	6.97

For the three months ended March 31, 2012 no stock options were cancelled. As at March 31, 2012, Western had 277,507 exercisable stock options outstanding at a weighted average exercise price equal to $5.78 per stock option.

Warrants:

The following table summarizes the movements of Western's outstanding warrants:

	Warrants outstanding		Weighted average exercise price
Balance at: December 31, 2011 and March 31, 2012	2,525,000	$	2.10

Each warrant entitles the holder to purchase one common share of Western. The warrants expire on December 22, 2014.

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

9. Earnings per share:

The weighted average number of common shares is calculated as follows:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Issued common shares, beginning of period	58,533,287	37,680,944
Effect of shares issued - March 29, 2011	-	320,833
Weighted average number of common shares (basic)	58,533,287	38,001,777
Dilutive effect of stock options and warrants	2,230,979	1,931,035
Weighted average number of common shares (diluted)	60,764,266	39,932,812

At March 31, 2012, 833,500 options (three months ended March 31, 2011: 83 options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

10. Finance costs:

Finance costs recognized in the condensed consolidated statements of operations and comprehensive income are comprised of the following:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Interest expense on long term debt	$ 2,595	$ 495
Amortization of debt financing fees	247	66
Interest income	(66)	(7)
Accretion of provisions	5	8
Total finance costs	$ 2,781	$ 562

During the three months ended March 31, 2012, the Company incurred interest and financing costs of approximately $3.1 million (three months ended March 31, 2011: $0.7 million), which includes capitalized interest of $0.3 million (three months ended March 31, 2011: $0.1 million) on its long term debt (see Notes 6). The Company had an effective interest rate of 7.4%, on its borrowings for the three months ended March 31, 2012 (three months ended March 31, 2011: 4.29%).

11. Income taxes:

Income taxes recognized in the condensed consolidated statements of operations and comprehensive income are comprised of the following:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Income taxes:		
Current tax expense (recovery)	$ 4,321	$ (1,058)
Deferred tax expense	3,680	5,055
Total income taxes	$ 8,001	$ 3,997

At March 31, 2012, the Company has gross loss carry forwards equal to $4.2 million in Canada, which expire between 2031 and 2032. In the United States, the Company has US$31.0 million gross loss carry forwards which expire between 2028 and 2031.

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

12. Costs by nature:

The Company presents certain expenses in the condensed consolidated statements of operations and comprehensive income by function. The following table presents significant expenses by nature:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Depreciation of property and equipment	$ 9,858	$ 4,837
Employee benefits: salaries and benefits	41,720	18,844
Employee benefits: stock based compensation	563	175
Repairs and maintenance	5,002	2,818
Third party charges	10,140	5,220

13. Financial risk management and financial instruments:

The Company's financial instruments include cash and cash equivalents, trade and other receivables, investments, trade payables and other current liabilities, embedded derivatives and long term debt instruments such as credit facilities and senior notes. Cash and cash equivalents, investments and embedded derivatives are carried at fair value. The carrying amounts of trade receivables and trade payables and other current liabilities approximates their fair values due to their short term nature. The fair value of investments is based on their respective trading price on March 31, 2012. The credit facilities bear interest at rates that approximate market rates and therefore their carrying values approximate fair values. The Senior Notes are recorded at their amortized cost for accounting purposes. Fair value disclosure of the Senior Notes is based on their respective trading price on March 31, 2012.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2011.

Interest rate risk:
As at March 31, 2012, all of the Company's outstanding debt is at fixed rates.

Foreign exchange risk:
For the three months ended March 31, 2012, the increase or decrease in net income before taxes for each one percent change in foreign exchange rates between the Canadian and United States dollars is estimated to be less than $0.1 million.

Credit risk:
At March 31, 2012, approximately 95% of the Company's trade receivables from continuing operations were less than 90 days old. The Company believes the unimpaired amounts more than 90 days old are still collectible based on historic payment behavior and an analysis of the underlying customers' ability to pay. The table below provides an analysis of the Company's trade receivables aging:

	March 31, 2012	December 31, 2011
Trade receivables		
Current	$ 38,286	$ 38,435
Outstanding for 31 to 60 days	41,800	22,614
Outstanding for 61 to 90 days	4,403	6,741
Outstanding for over 90 days	4,811	798
Less: allowance for doubtful accounts	-	-
Accrued trade receivables	9,606	14,162
Other receivables	356	564
Total	$ 99,262	$ 83,314

Significant customers:
For the three months ended March 31, 2012, the Company had no single customer representing greater than 10% of the Company's total revenue. For the three months ended March 31, 2011, the Company had two customers comprising 17.1% and 12.4% of total revenue, respectively.

(tabular amounts are in thousands of Canadian dollars, except common share and per common share amounts)

13. Financial risk management and financial instruments (continued):

Liquidity risk:

The table below provides an analysis of the expected maturities of the Company's outstanding obligations at March 31, 2012:

	Total	Due prior to March 31					
	amount	2013	2014	2015	2016	2017	Thereafter
Financial liabilities:							
Trade and other current liabilities	$ 43,278	$ 43,278	$ -	$ -	$ -	$ -	$ -
Bank mortgage	1,027	1,027	-	-	-	-	-
Senior Notes	175,000	-	-	-	-	-	175,000
Total	$ 219,305	$ 44,305	$ -	$ -	$ -	$ -	$ 175,000

Cash flows included in the maturity analysis may occur significantly earlier, or at significantly different amounts.

Fair value:

The Company's cash and cash equivalents, investments and embedded derivatives are the only financial assets or liabilities measured using fair value. The Company's cash and cash equivalents and investments are categorized as level I, which are based on quoted prices in active markets, as there are quoted prices in an active market for these instruments. The embedded derivative relating to the Senior Notes is categorized as level III, which is based on management's best estimate of market prices of similar assets, as there is not a quoted market price for the early redemption options on the Senior Notes.

Capital management:

The capital structure of the Company changed in 2012 to include the Senior Notes issued in 2012. As such, the overall capitalization of the Company at March 31, 2012 is as follows:

	Note	March 31, 2012	December 31, 2011
Operating Facility	6	$ -	$ 7,144
Revolving Facility	6	-	108,000
Bank mortgage	6	1,027	1,044
Finance lease obligations	6	632	64
Senior Notes	6	175,000	-
Total debt		176,659	116,252
Shareholders' equity		436,113	414,325
Less: cash and cash equivalents		(39,151)	-
Total capitalization		$ 573,621	$ 530,577

14. Commitments:

The Company has total commitments which require payments for the next five years based on the maturity terms as follows:

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