

Western Energy Services Corp.
Consolidated Financial Statements
March 31, 2009

Notice to Reader: These financial statements and accompanying notes to the financial statements have not been reviewed by the Company's auditors.

Western Energy Services Corp.
Consolidated balance sheets as at

	March 31, 2009 (\$) (Interim, unaudited)	December 31, 2008 (\$) (Audited)
Assets		
Current assets		
Cash	55,309	71,259
Accounts receivable	1,394,907	1,841,065
Product inventory	259,958	332,950
Prepaid expenses	454,057	572,254
Assets held for sale	-	401,725
	2,164,231	3,219,253
Capital assets		
Goodwill	17,753,510	18,467,669
	711,513	711,513
	20,629,254	22,398,435
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,382,604	3,849,176
Revolving credit facilities	242,518	755,914
Short term borrowings (Note 4)	3,407,741	2,490,403
Demand term loans	6,056,458	6,523,361
Current portion of capital lease obligations	64,330	93,528
Current portion of long term debt	454,459	448,886
	13,608,110	14,161,268
Long-term debt	649,612	764,408
	14,257,722	14,925,676
Shareholders' Equity		
Common shares (Note 5)	14,554,336	14,554,204
Subscriptions received	205,000	205,000
Contributed surplus	1,799,378	1,799,378
Deficit	(10,187,182)	(9,085,823)
	6,371,532	7,472,759
	20,629,254	22,398,435

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

Western Energy Services Corp.

Interim, unaudited, consolidated statements of operations and deficit for the three months ended

	March 31, 2009 (\$)	March 31, 2008 (\$)
Revenue	2,129,871	3,336,081
Expenses		
Operating	1,993,450	2,792,087
General and administrative	221,689	305,417
Foreign exchange	105,496	(2,137)
Stock based compensation	-	125,432
	2,320,635	3,220,799
(Loss) income before loss on sale, amortization, interest and income taxes	(190,764)	115,282
(Gain) loss on sale of assets	(12,948)	8,286
Amortization & accretion	686,575	691,055
Interest	236,969	338,684
Accretion	-	17,800
Loss before taxes	(1,101,360)	(940,543)
Foreign withholding tax	-	40,146
Future income taxes	-	-
	-	40,146
Net loss	(1,101,360)	(980,689)
Deficit, beginning of period	(9,085,822)	(3,095,948)
Deficit, end of period	(10,187,182)	(4,076,637)
Net income per share		
Basic and diluted (Note 5)	(0.03)	(0.07)

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

Western Energy Services Corp.

Interim, unaudited, consolidated statements of cash flows for the three months ended

	March 31, 2009 (\$)	March 31, 2008 (\$)
Operating activities		
Net loss	(1,101,360)	(980,689)
Items not affecting cash		
Amortization and accretion	686,575	691,055
Deferred interest payments on shareholder loans	75,462	67,795
(Gain) loss on sale of assets	(12,948)	8,286
Stock-based compensation	-	125,432
Accretion	-	17,800
Cash flow from continuing operations	(352,271)	(70,321)
Net change in non-cash working capital (Note 7)	170,776	284,756
	(181,495)	214,435
Continuing investing activities		
Proceeds on sale of equipment	50,517	14,467
Proceeds on sale of assets held for sale	400,000	-
Capital asset purchases	(8,259)	(1,469,352)
	442,258	(1,454,885)
Financing activities		
Net proceeds from (payments to) revolving credit facilities	(513,396)	136,532
Proceeds from demand term loans	-	1,506,975
Payments on demand term loan	(466,903)	(350,818)
Proceeds from short term borrowings	841,875	-
Proceeds from long term debt	-	37,089
Payment of long term debt	(109,223)	(81,006)
Payment of capital leases	(29,198)	(28,740)
Recovery of costs (costs) related to issue of units	132	(500)
	(276,713)	1,219,532
Decrease in cash	(15,950)	(20,918)
Cash, beginning of period	71,259	210,724
	55,309	189,806

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

Western Energy Services Corp.

Notes to the consolidated financial statements for the three months ended March 31, 2009
(unaudited)

1. Basis of presentation

a. Basis of presentation

These interim financial statements do not conform in all aspects to the requirements of generally accepted accounting principles for annual financial statements. The disclosures provided below are incremental to those included with the most recent annual financial statements and certain disclosures, which are normally required to be included in the notes to the annual financial statements, have been condensed or omitted. These interim financial statements and notes thereto should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008.

b. Going concern

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which presumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not include any adjustments or reclassifications that would be required if the going concern assumption is not appropriate. The ability of the Company to continue as a going concern is dependent on attaining and maintaining profitable operations, and obtaining additional financing through the issue of treasury shares, new loans or the sale of non-core assets

2. Accounting policies and recent accounting pronouncements:

These interim financial statements follow the same accounting policies and methods as the most recent annual financial statements, except for the adoption of the following Canadian Institute of Chartered Accountants' pronounced change to accounting standards effective for 2009:

Goodwill and Intangible Assets; The CICA has issued a new standard for recognition, measurement, presentation and disclosure of goodwill and intangible assets which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. The Company's accounting policies with respect to goodwill and intangibles were unchanged on adoption of this standard.

3. Seasonality

The Company's operations are often weather dependent, which has a seasonal impact, particularly in Canada. 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.

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4. Short term borrowings

During the first quarter of 2009, the Company borrowed a further \$841,875 from 1063645 Alberta Ltd., a company controlled by a director of the Company. The total balance owing under this bridge loan facility was \$3,407,741 at March 31, 2009. This facility which bears interest at 12% is due on August 31, 2009 and is secured by a first charge on the Company's downhole tools and certain well service equipment, as well as a second charge against other well service equipment and a corporate guarantee.

Subsequent to March 31, 2009, the Company borrowed a further \$400,000 from 1063645 Alberta Ltd. under terms identical to the terms of the pre-existing short term borrowings.

5. Shareholder's equity

a. Share consolidation

On September 5, 2008 the Company effected a share consolidation on the basis of one new common share for each 12 shares then held by shareholders. References to the number of shares for prior periods have been adjusted to reflect the consolidation.

b. Per share amounts

Basic loss per share was calculated using a weighted average of 32,246,405 shares outstanding for the three months ended March 31, 2009 and 14,000,579 shares outstanding for the three months ended March 31, 2008.

When the effect of exercising or converting equity instruments is anti-dilutive, they have not been included in the calculation of diluted loss per share.

c. Expiries

During the three months ended March 31, 2009 2,548,805 share purchase warrants expired.

6. Related party transactions

During the three months ended March 31, 2009 the Company recorded legal fees for services provided by a firm in which a director is a partner in the amount of \$nil. At March 31, 2009 \$300,721 was outstanding and is recorded within accounts payable.

The Company sold and leased back its land and building located near Red Earth Creek, Alberta and certain pumping equipment to a company controlled by certain officers and directors of the Company. Both the sales and lease amounts were conducted at fair market values. The Company also continued to lease its facilities near Grand Prairie Alberta from the same related company, under the terms of the existing 5 year lease.

All related party transactions in the normal course of operations have been measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

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Notes to the consolidated financial statements for the three months ended March 31, 2009
(unaudited)

7. Changes in non-cash working capital

	March 31, 2009 (\$)	March 31, 2008 (\$)
Accounts receivable	446,158	(311,632)
Accounts payable	(466,572)	491,100
Product Inventory	72,993	110,819
Prepaid expense	118,197	(5,531)
	<u>170,776</u>	<u>284,756</u>

8. Segmented Information

The Company operates in two industry segments, Well Service and Down Hole Tool Rentals.

March 31, 2009

	Well Service (\$)	Tool Rental (\$)	Total (\$)
Revenue	1,937,591	192,280	2,129,871
Operating costs	1,849,323	144,127	1,993,450
Operating margin	88,268	48,153	136,421
Expenses			
General and administrative			221,689
Stock based compensation			-
Amortization			686,575
Interest			236,969
Other			92,548
Loss before taxes			1,101,360
Goodwill	711,513	-	711,513
Capital assets	15,834,662	1,918,848	17,753,510
Expenditures on capital items	8,259	-	8,259

March 31, 2008

	Well Service (\$)	Tool Rental (\$)	Total (\$)
Revenue	3,228,757	107,324	3,336,081
Operating costs	2,686,096	105,991	2,792,087
Operating margin	542,661	1,333	543,994
Expenses			
General and administrative			305,417
Stock based compensation			125,432
Amortization			691,055
Interest			338,684
Other			23,949
Loss before taxes			940,543
Goodwill	711,513	-	711,513
Capital assets	21,075,442	2,189,699	23,265,141

Western Energy Services Corp.

Notes to the consolidated financial statements for the three months ended March 31, 2009
(unaudited)

Expenditures on capital items	1,469,352	-	1,469,352
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The Company has operations in Canada and the United States, however given the substantial similarities between these operations the Company considers North America to be a single geographic market.

9. Comparative numbers

Certain of the comparative numbers have been reclassified to be consistent with the presentation of the current period.