Western Energy Services Corp.

Condensed Consolidated Financial Statements

March 31, 2013 and 2012

(Unaudited)

Western Energy Services Corp.

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

	Note	March 31, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		$ 23,478	$ 6,588
Trade and other receivables		87,908	79,782
Other current assets		4,039	38,989
		115,425	125,359
Non current assets			
Property and equipment	5	576,795	568,157
Goodwill		55,527	55,527
Other non current assets		365	405
		$ 748,112	$ 749,448
Liabilities			
Current liabilities			
Trade payables and other current liabilities		$ 30,699	$ 37,239
Dividends payable		4,474	4,469
Current portion of provisions		208	242
Current portion of long term debt	6	313	5,781
		35,694	47,731
Non current liabilities			
Provisions		2,061	2,095
Long term debt	6	182,068	186,948
Deferred taxes		62,511	57,884
		282,334	294,658
Shareholders' equity			
Share capital	7	323,136	322,878
Contributed surplus		5,120	4,689
Retained earnings		136,008	125,579
Accumulated other comprehensive income		1,514	1,644
		465,778	454,790
		$ 748,112	$ 749,448

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 and per share amounts)

	Note	Three months ended March 31, 2013	Three months ended March 31, 2012
Revenue		$ 98,006	$ 110,887
Operating expenses		68,071	70,480
Gross profit		29,935	40,407
Administrative expenses		7,299	6,586
Finance costs	10	3,759	2,781
Other items		(1,086)	31
Income before income taxes		19,963	31,009
Income taxes	11	5,060	8,001
Net income		14,903	23,008
Other comprehensive income [(1)]			
(Gain) loss on translation of foreign operations		(941)	786
Loss on change in fair value of available for sale assets (net of tax)		1,621	336
Unrealized foreign exchange (gain) loss on net investment in subsidiary (net of tax)		(550)	661
Comprehensive income		$ 14,773	$ 21,225
Net income per share:			
Basic		$ 0.25	$ 0.39
Diluted		$ 0.24	$ 0.38
Weighted average number of shares:			
Basic	9	59,610,763	58,533,287
Diluted	9	60,872,610	60,764,266

(1) Other comprehensive income includes items that may be subsequently reclassified into profit and loss.

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(2)	Total shareholders' equity
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
Issued for cash on exercise of stock options	7	307	-	-	-	307
Issued for cash on exercise of warrants	7	2,094	-	-	-	2,094
Fair value of exercised options and warrants	7	779	(779)	-	-	-
Stock based compensation		-	1,280	-	-	1,280
Dividends declared		-	-	(8,924)	-	(8,924)
Comprehensive income		-	-	22,170	1,750	23,920
Balance at December 31, 2012		322,878	4,689	125,579	1,644	454,790
Issued for cash on exercise of stock options	7	58	-	-	-	58
Issued for cash on exercise of warrants	7	134	-	-	-	134
Fair value of exercised options and warrants	7	66	(66)	-	-	-
Stock based compensation		-	497	-	-	497
Dividends declared		-	-	(4,474)	-	(4,474)
Comprehensive income (loss)		-	-	14,903	(130)	14,773
Balance at March 31, 2013		$ 323,136	$ 5,120	$ 136,008	$ 1,514	$ 465,778

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

(2) At March 31, 2013, the accumulated other comprehensive income balance consists of the translation of foreign operations and unrealized foreign exchange on net investment in subsidiary.

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, 2013	Three months ended March 31, 2012
Operating activities			
Net income		$ 14,903	$ 23,008
Adjustments for:			
Depreciation included in operating expenses		10,856	9,664
Depreciation included in administrative expenses		395	194
Stock based compensation included in operating expenses		154	142
Stock based compensation included in administrative expenses		343	421
Gain on sale of assets		(1,235)	(12)
Income taxes	11	5,060	8,001
Unrealized foreign exchange loss		5	77
Finance costs	10	3,759	2,781
Other		(70)	(39)
Cash generated from operating activities		34,170	44,237
Income taxes paid		(5,879)	(2,055)
Change in non-cash working capital		(5,847)	(16,465)
Cash flow from operating activities		22,444	25,717
Investing activities			
Additions to property and equipment	5	(18,156)	(36,403)
Proceeds on sale of property and equipment		54	292
Purchase of investments		-	(5,804)
Proceeds from sale of investments		34,444	-
Changes in non-cash working capital		(78)	265
Cash flow from (used in) investing activities		16,264	(41,650)
Financing activities			
Issue of common shares	7	192	-
Repayment of long term debt		(10,594)	(115,217)
Issuance of senior notes		-	175,000
Issue costs of senior notes		-	(4,500)
Finance costs paid		(6,947)	(256)
Dividends paid		(4,469)	-
Change in non-cash working capital		-	57
Cash flow (used in) from financing activities		(21,818)	55,084
Increase in cash and cash equivalents		16,890	39,151
Cash and cash equivalents, beginning of period		6,588	-
Cash and cash equivalents, end of period		$ 23,478	$ 39,151
Cash and cash equivalents:			
Bank accounts		$ 13,478	$ 4,162
Short term investments		10,000	34,989
		$ 23,478	$ 39,151

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 1700, 215 - 9th Avenue 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 (the "Financial Statements") as at and for the three months ended March 31, 2013 and 2012 are comprised of Western, its divisions and its wholly owned subsidiary (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 division, Horizon Drilling ("Horizon"), and in the United States through its wholly owned subsidiary, Stoneham Drilling Corporation ("Stoneham"). In addition, the Company operates in the well servicing segment in Canada through Western's division, Matrix Well Servicing ("Matrix"). On January 1, 2013, Western amalgamated with Horizon Drilling Inc. and Matrix Well Servicing Inc. to form one legal entity. Horizon and Matrix now operate as divisions of Western.

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 International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. These Financial Statements have been prepared using accounting policies and judgements which are consistent with Notes 3 and 4 of the audited annual consolidated financial statements as at December 31, 2012 and for the years ended December 31, 2012 and 2011 as filed on SEDAR at www.sedar.com and, as such, they should be read in conjunction with said statements.

As at January 1, 2013, the Company adopted the following standards:

- IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and the Standing Interpretations Committee Standard 12, Consolidation—Special Purpose Entities. The Company assessed the effect of IFRS 10 on its financial results and financial position and has determined there is no material impact.
- IFRS 12, Disclosure of Interests in Other Entities, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The Company assessed the effect of IFRS 12 on its financial results and financial position and has determined there is no material impact.
- IFRS 13, Fair Value Measurement, defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. The Company assessed the effect of IFRS 13 on its financial results and financial position and has determined there is no material impact.

These Financial Statements were approved for issuance by Western's Board of Directors on May 1, 2013.

3. Seasonality:

The Company's operations in Canada are often weather dependent, which has a seasonal effect. During the first quarter, 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 the spring thaw and 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.

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

4. Operating segments:

The Company operates in the Canadian and United States oilfield service industry through its contract drilling and well servicing segments. Contract drilling includes drilling rigs along with related ancillary equipment and provides contract drilling services to oil and natural gas exploration and production companies. Well servicing includes service rigs along with related ancillary equipment for work over services and well completions.

Senior management reviews internal management reports for these segments on at least a monthly basis.

Information regarding the results of the segments is included below. Performance is measured based on segment profit, as included in internal management reports. 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, cash administrative expenses and depreciation expense.

The following is a summary of the Company's results by segment for the three months ended March 31, 2013 and 2012:

Three months ended March 31, 2013	Contract Drilling	Well Servicing	Corporate	Total
Revenue	$ 96,467	$ 1,539	$ -	$ 98,006
Segment profit (loss)	25,300	(486)	(1,681)	23,133
Finance costs	(78)	3	3,834	3,759
Income taxes	5,058	(226)	228	5,060
Depreciation	10,779	199	273	11,251
Additions to property and equipment	17,655	387	114	18,156

Three months ended March 31, 2012	Contract Drilling	Well Servicing	Corporate	Total
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

Total assets and liabilities of the reportable segments are as follows:

As at March 31, 2013	Contract Drilling	Well Servicing	Corporate	Total
Total assets	$ 701,032	$ 18,800	$ 28,280	$ 748,112
Total liabilities	91,352	700	190,282	282,334

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

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

4. Operating segments (continued):

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
Segment profit	$ 23,133	$ 34,384
Add (deduct):		
Stock based compensation	(497)	(563)
Finance costs	(3,759)	(2,781)
Other items	1,086	(31)
Income before income taxes	$ 19,963	$ 31,009

Segmented information by geographic area is as follows:

As at and for the period ended March 31, 2013	Canada	United States	Total
Revenue	$ 91,361	$ 6,645	$ 98,006
Property and equipment	490,320	86,475	576,795
Total assets	651,888	96,224	748,112

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

Significant customers:

For the three months ended March 31, 2013, the Company had three significant customers comprising 12.2%, 11.1% and 10.1%, respectively of the Company’s total revenue. The trade receivable balances related to these customers as at March 31, 2013 represents 11.3%, 9.2% and 10.1%, respectively of the Company’s total trade and other receivable balance. For the three months ended March 31, 2012, the Company had no single customer representing greater than 10% of the Company’s total revenue.

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

5. Property and equipment:

	Land	Buildings	Contract drilling equipment	Well servicing equipment	Shop and office equipment	Vehicles under finance leases	Total
Cost:							
Balance at December 31, 2011	$ 4,974	$ 3,297	$ 488,478	$ 5,440	$ 1,860	$ 711	$ 504,760
Additions	-	339	109,530	12,310	5,052	-	127,231
Non-cash additions [(1)]	-	-	1,394	194	2,290	1,034	4,912
Disposals	-	-	(3,587)	-	(44)	(22)	(3,653)
Impact of foreign exchange	-	-	(2,352)	-	(1)	(1)	(2,354)
Balance at December 31, 2012	$ 4,974	$ 3,636	$ 593,463	$ 17,944	$ 9,157	$ 1,722	$ 630,896
Additions	-	-	17,638	385	133	-	18,156
Non-cash additions [(2)]	-	-	-	-	-	177	177
Disposals	-	-	(34)	-	-	(32)	(66)
Impact of foreign exchange	-	-	1,615	-	126	4	1,745
Balance at March 31, 2013	$ 4,974	$ 3,636	$ 612,682	$ 18,329	$ 9,416	$ 1,871	$ 650,908
Depreciation:							
Balance at December 31, 2011	$ -	$ 158	$ 30,021	$ 1	$ 545	$ 105	$ 30,830
Depreciation for the year	-	143	31,107	383	954	274	32,861
Disposals	-	-	(488)	-	(18)	(3)	(509)
Impact of foreign exchange	-	-	(442)	-	-	(1)	(443)
Balance at December 31, 2012	$ -	$ 301	$ 60,198	$ 384	$ 1,481	$ 375	$ 62,739
Depreciation for the period	-	39	10,547	175	409	81	11,251
Disposals	-	-	(5)	-	-	(9)	(14)
Impact of foreign exchange	-	-	134	-	1	2	137
Balance at March 31, 2013	$ -	$ 340	$ 70,874	$ 559	$ 1,891	$ 449	$ 74,113
Carrying amounts:							
At December 31, 2012	$ 4,974	$ 3,335	$ 533,265	$ 17,560	$ 7,676	$ 1,347	$ 568,157
At March 31, 2013	$ 4,974	$ 3,296	$ 541,808	$ 17,770	$ 7,525	$ 1,422	$ 576,795

(1) Non-cash additions consist of capitalized interest, finance leases, and lease inducements.
(2) Non-cash additions consist of finance leases.

Assets under construction:
Included in property and equipment at March 31, 2013 are assets under construction of $7.0 million (December 31, 2012: $12.4 million) in the contract drilling segment, which includes the construction of one telescopic Efficient Long Reach double drilling rig as well as ancillary drilling equipment.

6. Long term debt:

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

	March 31, 2013	December 31, 2012
Current:		
Operating Facility [(a)]	$ -	$ 5,460
Finance lease obligations	313	321
Total current portion of long term debt	313	5,781
Non current:		
Revolving Facility [(a)]	10,000	15,000
Finance lease obligations	482	505
Senior Notes [(b)]	175,000	175,000
Less: net unamortized issue costs on Senior Notes	(3,414)	(3,557)
Total non current portion of long term debt	182,068	186,948
Total long term debt	$ 182,381	$ 192,729

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

6. Long term debt (continued):

(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"). The maturity date on the Revolving Facility is June 7, 2015. 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 and its subsidiaries. As at March 31, 2013, the Company had $115.0 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)	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) Consolidated EBITDA in the credit facilities 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, 2013 and December 31, 2012, the Company was in compliance with all covenants related to its credit facilities.

(b) Senior Notes:

During 2012, the Company completed a private placement of $175.0 million 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 under 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. 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.

At March 31, 2013, the fair value of the Senior Notes was approximately $180.3 million.

7. Share capital:

At March 31, 2013, the Company was authorized to issue an unlimited number of common shares. The following table summarizes Western's common shares:

	Issued and outstanding shares		Amount
Balance at December 31, 2011	58,533,287	$	319,698
Issued for cash on exercise of stock options	51,667		307
Issued for cash on exercise of warrants	997,189		2,094
Fair value of exercised stock options and warrants	-		779
Balance at December 31, 2012	59,582,143		322,878
Issued for cash on exercise of stock options	9,999		58
Issued for cash on exercise of warrants	63,779		134
Fair value of exercised stock options and warrants	-		66
Balance at March 31, 2013	59,655,921	$	323,136

In 2012, the Board of Directors of Western implemented a dividend policy which provides for an annual cash dividend of $0.30 per share. During the three months ended March 31, 2013, the Company declared dividends of $4.5 million.

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

7. Share capital (continued):

During the three months ended March 31, 2012, no dividends were declared, and for the year ended December 31, 2012, $8.9 million in dividends were declared. The Company had dividends payable of $4.5 million as at March 31, 2013 (December 31, 2012: $4.5 million).

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 common shares as stock options.

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

	Stock options outstanding	Weighted average exercise price
Balance at December 31, 2011	2,101,000	$ 6.94
Granted	755,900	7.44
Exercised	(51,667)	5.93
Expired/Forfeited	(282,500)	7.17
Balance at December 31, 2012	2,522,733	7.08
Granted	195,000	7.08
Exercised	(9,999)	5.78
Expired/Forfeited	(54,334)	7.53
Balance at March 31, 2013	2,653,400	$ 7.08

For the three months ended March 31, 2013, no stock options were cancelled. As at March 31, 2013, Western had 842,998 exercisable stock options outstanding at a weighted average exercise price equal to $6.67 per stock option.

Warrants:

The following table summarizes Western's outstanding warrants:

	Warrants outstanding	Weighted average exercise price
Balance at December 31, 2011	2,525,000	$ 2.10
Exercised	(997,189)	2.10
Balance at December 31, 2012	1,527,811	$ 2.10
Exercised	(63,779)	2.10
Balance at March 31, 2013	1,464,032	$ 2.10

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

9. Earnings per share:

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

	Three months ended March 31, 2013	Three months ended March 31, 2012
Issued common shares, beginning of period	59,582,143	58,533,287
Effect of shares issued	28,620	-
Weighted average number of common shares (basic)	59,610,763	58,533,287
Dilutive effect of stock options and warrants	1,261,847	2,230,979
Weighted average number of common shares (diluted)	60,872,610	60,764,266

At March 31, 2013, 1,754,233 options (March 31, 2012: 833,500 options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

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

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, 2013	Three months ended March 31, 2012
Interest expense on long term debt	$ 3,622	$ 2,595
Amortization of debt financing fees and provisions	333	252
Interest and other income	(196)	(66)
Total finance costs	$ 3,759	$ 2,781

For the three months ended March 31, 2013, the Company incurred interest and financing costs of approximately $3.8 million (March 31, 2012: $3.1 million), which includes capitalized interest of $0.1 million (three months ended March 31, 2012: $0.3 million), on its long term debt (see Note 6). The Company had an effective interest rate of 8.1% on its borrowings for the three months ended March 31, 2013 (three months ended March 31, 2012: 7.4%).

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, 2013	Three months ended March 31, 2012
Current tax expense	$ 668	$ 4,321
Deferred tax expense	4,392	3,680
Total income taxes	$ 5,060	$ 8,001

At March 31, 2013, the Company has gross loss carry forwards equal to approximately US$35.6 million in the United States which expire between 2028 and 2033.

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, 2013	Three months ended March 31, 2012
Depreciation of property and equipment (Note 5)	$ 11,251	$ 9,858
Employee benefits: salaries and benefits	41,160	41,720
Employee benefits: stock based compensation (Note 8)	497	563
Repairs and maintenance	4,861	5,002
Third party charges	7,926	10,140

13. Financial risk management and financial instruments:

The Company’s financial instruments include cash and cash equivalents, trade and other receivables, trade payables and other current liabilities, derivatives and long term debt instruments such as the credit facilities and Senior Notes. Cash and cash equivalents and derivatives are carried at fair value. The carrying amounts of trade and other receivables, trade payables, and other current liabilities approximate their fair values due to their short term nature. 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. Fair value disclosure of the Senior Notes is based on their respective trading price on March 31, 2013.

The Company’s areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2012.

Financial assets and liabilities recorded at fair value in the condensed consolidated balance sheets are categorized based upon the level of judgement associated with the inputs used to measure their fair value.

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

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

Hierarchical levels based on the amount of subjectivity associated with the inputs in the fair determination of these assets and liabilities are as follows:

Level I – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II – Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level III – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The Company's cash and cash equivalents balance and derivatives are the only financial assets or liabilities measured using fair value. The Company's cash and cash equivalents are categorized as level I as there are quoted prices in an active market for these instruments. The estimated fair value of the Senior Notes is based on level II inputs as the inputs are directly observable through correlation with market data.

Capital management:

The capital structure of the Company at March 31, 2013 is as follows:

	Note	March 31, 2013	December 31, 2012
Operating Facility	6	$ -	$ 5,460
Revolving Facility	6	10,000	15,000
Finance lease obligations	6	795	826
Senior Notes	6	175,000	175,000
Total debt		185,795	196,286
Shareholders' equity		465,778	454,790
Less: cash and cash equivalents		(23,478)	(6,588)
Total capitalization		$ 628,095	$ 644,488

14. Commitments:

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

	2013	2014	2015	2016	2017	Thereafter	Total
Senior Notes	$ -	$ -	$ -	$ -	$ -	$ 175,000	$ 175,000
Senior Notes interest	6,891	13,781	13,781	13,781	13,781	20,672	82,687
Trade payables	30,699	-	-	-	-	-	30,699
Operating leases	2,774	3,244	2,436	2,416	2,280	16,267	29,417
Revolving facility	-	-	10,000	-	-	-	10,000
Purchase commitments	20,292	-	-	-	-	-	20,292
Finance leases	333	318	48	-	-	-	699
Total	$ 60,989	$ 17,343	$ 26,265	$ 16,197	$ 16,061	$ 211,939	$ 348,794

15. Subsequent events:

On April 22, 2013, the Company acquired all of the issued and outstanding shares of IROC Energy Services Corp. ("IROC") in exchange for a combination of cash and common shares of Western. The total transaction value is approximately $184.8 million, including $37.9 million in debt, transaction costs and the cancellation of stock options and restricted share units. A portion of the consideration was paid for through the issuance of 12,353,040 shares of the Company issued at an ascribed value of $6.80 per Western share which was Western's closing share price on April 19, 2013.

On May 1, 2013, the Board of Directors of Western declared a quarterly dividend of $0.075 per share, payable on July 12, 2013, to shareholders of record at the close of business on June 28, 2013. The dividends will be eligible dividends for Canadian income tax purposes.