WESTERN ENERGY SERVICES CORP.

Annual Information Form

Year Ended December 31, 2015

February 25, 2016

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GLOSSARY OF TERMS

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

Terms:

“**2012 Notes**” means the $175 million aggregate principal amount of 7⅞% senior unsecured notes due January 30, 2019 issued by Western on January 30, 2012;

“**2013 Notes**” means the $90 million aggregate principal amount of 7⅞% senior unsecured notes due January 30, 2019 issued by Western on September 18, 2013;

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

“**Aero Rental Services**” or “**Aero**” means Aero Rental Services, a division of Western Production Services;

“**Annual Information Form**” means this annual information form;

“**Audit Committee**” means the Audit Committee of the Board of Directors;

“**Bank**” means the Corporation’s current banking syndicate;

“**Board of Directors**” or “**Board**” means the board of directors of Western;

“**BOP**” means blow out preventer;

“**CAODC**” means the Canadian Association of Oilwell Drilling Contractors;

“**CAPP**” means the Canadian Association of Petroleum Producers;

“**Cardium class rig**” means any drilling rig which has a total static hookload equal to or less than 399,999 lbs of force (or 177,999 daN);

“**Common Share(s)**” means a common share(s) in the capital of Western;

“**Credit Facility**” or “**Credit Facilities**” means both the Revolving Facility and the Operating Facility;

“**Duvernay class rig**” means any drilling rig which has a total static hookload of 500,000 lbs or more of force (or 222,000 daN);

“**Eagle Well Servicing**” or “**Eagle**” means Eagle Well Servicing, a division of Western Production Services;

“**E&P company(ies)**” means an oil and natural gas exploration and production company(ies);

“**Horizon Drilling**” or “**Horizon**” means Horizon Drilling, a division of Western;

“**IADC**” means the International Association of Drilling Contractors;

“**Indenture**” means the trust indenture between Western and Computershare Trust Company of Canada (formerly Valiant Trust Company), as trustee, and certain Western subsidiaries, as guarantors;

“**IROC**” means IROC Energy Services Corp.;

“**IROC Drilling and Production**” means IROC Drilling and Production Services Corp.;

“**Montney class rig**” means any drilling rig which has a total static hookload between 400,000 lbs of force (or 178,000 daN) and 499,999 lbs of force (or 221,999 daN);

“**Moody’s**” means Moody’s Corporation;

“**O’Chiese / Eagle J.V.**” means the well servicing joint venture with Eagle and the O’Chiese First Nation described in “*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2013*”;

“**Operating Facility**” means the loan facility of Western from a Canadian bank which consists of an operating demand revolving loan in the amount of $20 million;

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

“**Revolving Facility**” means the loan facility of Western from a syndicate of banks which consists of a four year extendible revolving credit facility in the amount of $175 million;

“**Senior Notes**” or “**Notes**” means the 2012 Notes and 2013 Notes;

“**Stoneham Drilling**” or “**Stoneham**” means Stoneham Drilling Corporation, a wholly owned subsidiary of Western;

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

“**Western Energy Services Holdings (1)**” means Western Energy Services Holdings (1) Ltd;

“**Western Energy Services Partnership**” or “**Partnership**” means Western Energy Services Partnership; and

“**Western Production Services**” means Western Production Services Corp. (formerly IROC Drilling and Production Services Corp.), a wholly owned subsidiary of Western.

<u>Abbreviations:</u>

“**bbl(s)**” means barrel(s);

“**daN**” means deca Newton (a unit of tensile strength);

"**GHG**" means greenhouse gases;

"**GJ**" means gigajoule;

"**lbs**" means imperial pounds;

"**NI 51-102**" means National Instrument 51-102 - *Continuous Disclosure Obligations;*

"**NI 52-110**" means National Instrument 52-110 - *Audit Committees;*

"**SAGD**" means steam assisted gravity drainage;

"**S&P**" means Standard & Poor's Financial Services LLC;

"**TSX**" means the Toronto Stock Exchange; and

"**WCSB**" means Western Canadian Sedimentary Basin.

GENERAL MATTERS

The Corporation prepares its financial statements in Canadian dollars and in conformity with International Financial Reporting Standards.

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

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

In addition, this document contains forward-looking information pertaining to: the business of the Corporation; results of operations; performance of the Corporation; the declaration of dividends by Western; use of the Credit Facility; and business strategies, prospects, plans and opportunities. The Corporation's business plan has been to pursue strategic acquisitions and organic growth focused on strengthening and adding depth to its three core business lines: contract drilling, well servicing and oilfield rental equipment services. Many factors could cause the performance or achievement of Western to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Because of the risks, uncertainties and assumptions contained herein, readers should not place undue reliance on these forward-looking statements.

The material assumptions used in making the forward-looking statements in this Annual Information Form include, but are not limited to, assumptions relating to: demand levels and pricing for oilfield services; demand for oil and natural gas and the price and volatility of oil and natural gas; the current low levels of, and pressures on, commodity pricing; the continued business relationships between the Company and its significant customers; the development of liquefied natural gas projects, crude oil transport and pipeline approval and development; the Company's ability to finance its operations; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; and general business, economic and market conditions.

Actual results could differ materially from those anticipated in the forward-looking information in this Annual Information Form as a result of the risk factors set forth below and elsewhere in this document.

- volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally, and, specifically, the current low levels of, and pressure on, oil and natural gas prices;
- reduced exploration and development activities by E&P companies in Western Canada due to depressed oil and natural gas prices and the effect of such reduced activities on the demand for Western's services and products;
- political, economic, and environmental conditions in Canada, the United States and globally;
- supply and demand for oilfield services relating to contract drilling, well servicing and oilfield rental equipment services;
- the proximity, capacity and accessibility of oil and natural gas pipelines and processing facilities;
- liabilities and risks inherent in oil and natural gas operations;
- environmental liabilities and risks;
- changes to laws, regulations and policies regarding, among other things, royalties on oil and natural gas production and climate change;
- fluctuations in foreign exchange or interest rates;
- failure of counter-parties to perform or comply with their obligations under contracts;
- regional competition;
- the Corporation's ability to attract and retain skilled labour;
- the Corporation's ability to attract and retain customers;
- the Corporation's ability to obtain debt or equity financing and to fund capital, operating and other expenditures and obligations;
- stock market volatility and market valuations;
- uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed;
- fixed costs in relation to variable revenue streams;
- the presence of heavy competition in the market segments in which the Corporation currently operates;
- failure to realize the anticipated benefits of acquisitions or incorrect assessment of the value of acquisitions;
- the Corporation's ability to comply with the covenants under the Credit Facility and the Indenture and the restrictions on its operations and activities if it is not compliant with such covenants; and
- any or all of the factors discussed under *"Risk Factors"* in this document.

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

The Corporation undertakes no obligation to publicly update or revise any forward-looking information, except as required pursuant to applicable securities laws. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this Annual Information Form. The forward-looking information contained in this Annual Information Form is expressly qualified by this cautionary statement.

WESTERN ENERGY SERVICES CORP.

CORPORATE STRUCTURE

Name, Address and Incorporation

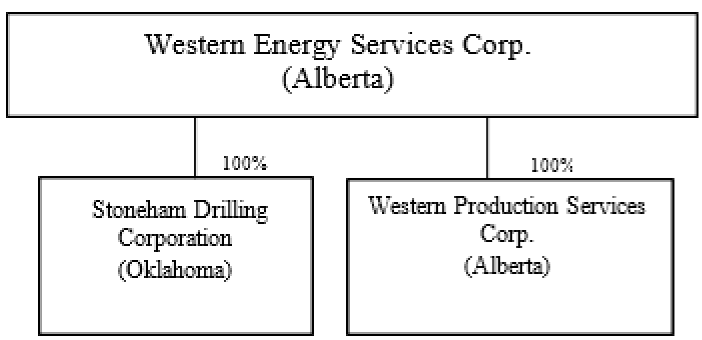
The Corporation was incorporated under the ABCA on March 18, 1996 as "Big Blackfoot Resources Ltd." On September 27, 2002, the Corporation filed articles of amendment to change its name to "BBF Resources Inc." and to consolidate its then outstanding Common Shares on the basis of one (1) Common Share for each two (2) Common Shares. On June 23, 2005, the Corporation filed articles of amendment to change its name to "Western Energy Services Corp." On January 1, 2006, the Corporation filed articles of amalgamation and amalgamated with its wholly-owned subsidiary, WESC Ltd. On September 5, 2008, the Corporation filed articles of amendment to consolidate its then outstanding Common Shares on the basis of one (1) Common Share for each twelve (12) Common Shares. On June 20, 2011, the Corporation filed articles of amendment relating to the consolidation of the issued and outstanding Common Shares of the Corporation on the basis of one (1) Common Share for each twenty (20) Common Shares. On July 31, 2011, the Corporation filed articles of amalgamation and amalgamated with its wholly-owned subsidiary Stoneham Drilling Inc. On January 1, 2013, the Corporation filed articles of amalgamation and amalgamated with its wholly-owned subsidiaries, Horizon Drilling Inc. and Matrix Well Servicing Inc.

The head and principal office of Western is located at 1700, 215 – 9th Avenue SW, Calgary, Alberta T2P 1K3. The registered office is c/o 600, 815 – 8th Avenue SW, Calgary, Alberta T2P 3P2.

Intercorporate Relationships

The following diagram sets forth the names of the significant subsidiaries of the Corporation, the percentage of voting securities owned by the Corporation and the jurisdiction of incorporation or continuance of each subsidiary as of the date hereof.

Organizational Structure of the Corporation



The Corporation's current simplified structure is a result of an internal reorganization completed by it on December 28, 2015 pursuant to which: (i) all of the assets and business of Western Energy Services Holdings (1) were transferred to IROC Drilling and Production; (ii) all of the obligations and liabilities of Western Energy Services Holdings (1) were assumed by IROC Drilling and Production; (iii) Western Energy Services Holdings (1) was dissolved; and (iv) Western Energy Services Partnership was terminated. IROC Drilling and Production then changed its name to Western Production Services Corp.

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

General

The Corporation is an oilfield service company which provides contract drilling services in Canada through its Horizon Drilling division and in the United States through its wholly-owned subsidiary Stoneham Drilling. In Canada, the Corporation also provides well servicing through its Eagle Well Servicing division and oilfield rental equipment services through its Aero Rental Services division.

Three Year History

2016 Year to Date

In January 2016 Aero Rental Services opened a rental facility in Fort St. John, British Columbia, to further service northwestern Alberta and northeastern British Columbia.

The low commodity price environment that existed throughout 2015 is expected to continue throughout much of 2016. If a low commodity price environment persists as expected, the demand for the Corporation's equipment and services will remain lower than normal and the Corporation's utilization rates and revenues will continue to be adversely affected during such time due to the unfavourable market conditions.

2015

During 2015 Horizon Drilling completed the construction of and deployed three new Duvernay class rigs to the field pursuant to its 2014 rig build program. As a result, Horizon ended the year with 52 drilling rigs in its fleet.

In the first quarter of 2015 a second service rig was added to the O'Chiese / Eagle J.V. Also during 2015 Eagle Well Servicing completed the construction of and deployed an additional slant service rig to the field. As a result, Eagle Well Servicing ended the year with 66 service rigs in its fleet.

On December 18, 2015, the Corporation renewed its Normal Course Issuer Bid (the "2015 Bid") whereby Western is able to purchase for cancellation through the facilities of the TSX up to 4,550,000 Common Shares, which represented 9.9% of Western's public float as at December 4, 2015. The 2015 Bid will terminate on the earlier of: (i) December 17, 2016; or (ii) the date on which the maximum number of Common Shares are purchased pursuant to the 2015 Bid.

Throughout 2015 the low commodity price environment resulted in significantly reduced activity levels by E&P companies in both Canada and the United States. These reduced activity levels caused a severe decline in the demand for oilfield services, including the Corporation's equipment and services, and a reduction in the pricing for such services. As a result, the Corporation's utilization rates and revenues were adversely affected in 2015 by these market conditions.

2014

During 2014 Horizon Drilling completed the construction of and deployed to the field two new Montney class rigs pursuant to its 2013 rig build program and one Duvernay class rig pursuant to its 2014 rig build program, and de-listed one Cardium class rig. As a result, Horizon ended the year with 49 drilling rigs in its fleet.

On December 17, 2014, the Corporation implemented a Normal Course Issuer Bid (the "2014 Bid") allowing Western to purchase for cancellation through the facilities of the TSX up to 5,550,000 Common Shares, which represented 9.9% of Western's public float as at November 30, 2014. The 2014 Bid terminated on December 16, 2015 at which time 1,320,700 Common Shares had been purchased for cancellation thereunder.

On December 18, 2014, the Corporation increased its four year extendible Revolving Facility to $175 million from $125 million with a maturity date extension to December 17, 2018, and increased its Operating Facility to $20 million from $10 million.

2013

During 2013 Horizon Drilling completed the construction of and deployed two new Montney class rigs to the field pursuant to its 2012 rig build program. As a result, Horizon ended the year with 47 drilling rigs in its fleet.

On April 22, 2013, the Corporation acquired all of the issued and outstanding shares of IROC in exchange for a combination of cash in the amount of $62.9 million and 12,352,832 Common Shares for a total transaction value of $176.3 million, including the assumption of approximately $29.4 million in bank debt. IROC was an oilfield services company operating in the WCSB whose operations included (i) well servicing through its Eagle Well Servicing division, which operated a fleet of 55 service rigs from facilities in Red Deer and Grande Prairie, Alberta and Lloydminster and Estevan, Saskatchewan; (ii) oilfield equipment rentals, consisting of surface control rental assets for drilling and work over operations, and other conventional rental equipment, through its Aero Rental Services division, which operated from a rental facility in Red Deer, Alberta (See *"DESCRIPTION OF THE CORPORATION'S BUSINESS AND OPERATIONS – Well Servicing and Oilfield Rental Equipment Services"*); and (iii) coiled tubing well servicing through its Helix Coil Services division ("Helix") which operated two intermediate depth, truck mounted coil tubing units and one trailer mounted conventional coil tubing unit from the Eagle Well Servicing facility in Red Deer, Alberta.

The Eagle service rigs were combined with the ten service rigs already owned and operated by Western for a total fleet of 65 service rigs at the end of the year operating under the Eagle Well Servicing division.

At the time of the acquisition of IROC by Western, Eagle Well Servicing was a joint venture partner with the O'Chiese First Nation to jointly own and operate one of Eagle`s service rigs pursuant to a joint venture agreement (the "O'Chiese / Eagle J.V."). The joint venture service rig is known as "O'Chiese / Eagle Rig #1". The rig commenced operations under the joint venture in the second quarter of the year.

On July 1, 2013, Aero opened a rental facility in Grande Prairie, Alberta to service northwestern Alberta and northeastern British Columbia.

On September 18, 2013, Western issued the 2013 Notes. The 2013 Notes were issued at $1,016.25 per $1,000 principal amount plus accrued interest from and including July 30, 2013 for gross proceeds of $91.5 million. Western used the net proceeds from this offering to repay all of its outstanding indebtedness under its credit facilities incurred as a result of the acquisition of IROC in April 2013, and for general corporate purposes. The issuance of the 2013 Notes were in addition to the $175 million principal amount of 2012 Notes issued on January 30, 2012.

In September 2013 all of the assets and business of Helix were sold.

On October 18, 2013, Western increased the term from three years to four years on its committed Revolving Facility and extended the maturity date to October 18, 2017.

DESCRIPTION OF THE CORPORATION'S BUSINESS AND OPERATIONS

General

Western is an oilfield service company, with its corporate head office located in Calgary, Alberta. Western's contract drilling segment provides contract drilling services in Canada through Horizon Drilling from an operations base in Leduc, Alberta, and in the United States through Stoneham Drilling, from an operations base in Williston, North Dakota. In Canada, the Corporation's production services segment provides well servicing through Eagle Well Servicing with operation bases in Red Deer and Grande Prairie, Alberta and Lloydminster and Estevan, Saskatchewan, and oilfield rental equipment services through Aero Rental Services which operates out of facilities in Red Deer and Grande Prairie, Alberta and Fort St. John, British Columbia.

Western's drilling rig fleet currently consists of a total of 57 drilling rigs (52 in Canada and five in the United States). Western is currently the sixth largest drilling contractor in Canada. The Corporation's drilling rig fleet is specifically suited for the current market which has moved towards drilling wells of increased complexity and all of Western's rigs are capable of drilling horizontal wells. In total, 56% of Western's drilling rig fleet are Montney and Duvernay class rigs and the remaining 44% are Cardium class rigs. Montney and Duvernay class rigs have higher static hookloads compared to Cardium class rigs. Western's fleet of drilling rigs is one of the newest in Canada, and Western's commitment to training employees and developing technology has resulted in Western establishing a strong foothold within Canada.

Eagle Well Servicing, Western's well servicing division, is the fourth largest well servicing contractor in Canada. Eagle Well Servicing owns and operates 66 service rigs in western Canada with an average age of approximately seven years. The well servicing rig fleet consists of 32 singles, 26 doubles and eight slant service rigs.

Aero Rental Services, Western's oilfield equipment rental division, supplies E&P companies, as well as other oilfield service companies, with specialized high pressure rental equipment utilized in drilling and completions activities.

Western's revenue by segment for fiscal 2015 and 2014 is outlined below:

(stated in thousands)	**Year Ended December 31, 2015**	**Year Ended December 31, 2014**
Contract Drilling	$157,878	$376,607
Production Services	$69,962	$132,614

Contract Drilling Services

Horizon Drilling provides contract drilling services in the WCSB, while Stoneham Drilling provides contract drilling services in the Williston Basin in the United States. The market demand for contract drilling services is subject to the capital expenditure budgets of E&P companies. Such capital expenditures are influenced by the ability of E&P companies to fund their capital expenditures with cash flow and their access to debt or equity financing for such expenditures. Market fluctuations, commodity prices, the supply of and demand for oil and natural gas, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulations (including regulations relating to prices, taxes, foreign exchange, royalties, land tenure, allowable production, the import and export of oil and natural gas, and environmental protection) are also important factors in determining the number of oil and natural gas wells drilled by E&P companies and, consequently, the demand for Western's contract drilling services.

Services and Contracts

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

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

Contract drilling services are performed primarily pursuant to industry standard drilling contracts endorsed by both the CAODC and CAPP in Canada and the IADC in the United States. The contract can be for a specific well or number of wells or for a specific time period. Generally, contracts are carried out on a daywork basis. Pursuant to daywork contracts, the customer pays a fixed charge per day for the number of days needed to drill a well. Daywork contracts also provide for an hourly rate, day rate, or a lump sum amount, for mobilization of the rig to the well location and for rig-up and rig-down. Daywork contracts typically provide that the drilling company bears very limited downhole risks including time delays for various reasons, a well control situation or a stuck or broken drill string.

Equipment

The Corporation's contract drilling fleet currently includes 57 drilling rigs and associated equipment. The Corporation classifies its rigs into the categories as set forth in the table below:

Drilling Equipment	**Total**
Cardium class rigs	25
Montney class rigs	19
Duvernay class rigs	13
	57
Additional Equipment	**Total**
Top Drives	57
Camps (20 man units)	2
Yards Owned: Leduc, Alberta (x2)	2
Yards Leased: Williston, North Dakota	1

Modern Rig Fleet

Western's fleet consists of 57 drilling rigs, 52 of which are in Canada, making it the sixth largest drilling contractor in Canada, and five in the United States. Drilling in the WCSB and the Williston basin, the basin where Stoneham Drilling currently performs the majority of its work in the United States, has become deeper and more technically challenging as E&P companies "unlock" existing basins that were historically prohibitively expensive to develop. Management believes Western's rig fleet is, on average, one of the deepest drilling rig fleets operating in the WCSB.

Western operates one of the newest drilling fleets in the WCSB, with an average age of our drilling rigs of approximately eight years, thus enabling the Corporation to provide customers with reliability, mobility and technical capacity. All of these qualities and characteristics are increasingly important to exploration and production companies seeking to optimize returns in more technically complex reservoirs.

In addition, Western maintains a complete inventory of rotational equipment to ensure continuous operational efficiencies.

Well Servicing

Eagle Well Servicing currently operates a fleet of 66 service rigs, making it the fourth largest fleet in Canada. Eagle's current fleet consists of 32 singles, 26 doubles and eight slant service rigs, with the fleet having an average age of approximately seven years. Eagle's service rigs are used for completion services, production work-overs and abandonment services as well as various maintenance activities on producing shallow to deep oil and natural gas wells. Eagle's slant service rigs were built within the last five years and were designed to accommodate the demand for this type of equipment in the heavy oil and oilsands resource plays.

Completion services prepare a newly drilled well for production and may include well clean-out, or the installation of production tubing or downhole well equipment. The length of the completion process varies from usually one to several days, depending on the requirements of the well. Workover services include major repairs or modifications to existing wells. Workovers are performed to restore and enhance production of an existing producing well or plugging or abandoning a well. Well maintenance services are also required to ensure continuous and efficient production of a producing well. These services include routine mechanical repairs or replacing damaged production tubing, downhole pumps and rods (continuous or jointed) and typically are shorter jobs, sometimes taking less than 48 hours to complete.

Eagle has designed new equipment and utilizes modern designs to meet the changing needs of customers in the WCSB. E&P companies benefit from the cost efficiencies achieved from the newer fleet and design features. For example, Eagle was contracted to build and deploy a custom service rig package for a major SAGD operator, which was deployed in January 2013. Since the initial customized SAGD rig was deployed Eagle has added an additional rig into this area under contract with the same customer.

In addition to the benefits received from Eagle's modern rig fleet, the industry trend towards oil related exploration and development activity continues to benefit Eagle as service rigs are typically utilized more for oil well completions and workovers versus natural gas wells.

Service rigs are generally charged to customers on an hourly rate basis that fluctuates depending upon the geographic area, the time of year and level of industry activity, and are subject to pronounced seasonal and cyclical variances. The highest rate of activity in the industry is typically during the winter season, from November through mid-March.

Eagle competes against approximately 1,100 service rigs of varying age, design, and capacity operating in the WCSB. Service rigs typically operate within a fairly close proximity to their home base, and therefore the competition is localized in nature and effectively limited to other service rigs based nearby. Eagle operates from bases in Alberta located in Red Deer and Grande Prairie, and in Saskatchewan from bases in Lloydminster and Estevan. Eagle also operates a number of rigs in Manitoba which are managed from the base in Estevan, Saskatchewan.

During 2012 Eagle entered into a joint venture with the O'Chiese First Nation in central Alberta for construction and operation of a service rig. The joint venture well servicing rig was deployed into the field during the second quarter of 2013. A second well servicing rig has been added to the joint venture and was deployed into the field under the O'Chiese / Eagle J.V. during the first quarter of 2015. O'Chiese / Eagle rigs #1 and #2 are operated by Eagle and jointly marketed by the O'Chiese / Eagle J.V.

Oilfield Rental Equipment Services

Aero Rental Services has operated from an equipment rental facility in Red Deer, Alberta since the business' inception in 2007. In July of 2013 Aero opened an additional rental facility in Grande Prairie, Alberta to service the northwestern Alberta and northeastern British Columbia regions of the WCSB. In early 2016 Aero opened a third rental facility in Fort St. John, British Columbia to further grow Aero's presence in northeastern British Columbia. Aero's rental equipment consists of surface control rental assets, including conventional and coil tubing BOPs, accumulators, drilling and production manifolds, debris catchers, frac heads, spooling equipment, valves, tubular cross-overs and various other pressure control and handling equipment used at well sites. Aero also offers conventional rental equipment including power swivels, catwalks, drill collars, pipe racks and matting.

Oilfield rental equipment is generally provided to customers on a daily fee basis or under longer term contracts, which fluctuate depending upon the time of year and level of industry activity, which is subject to pronounced seasonal and cyclical variances. The highest rate of activity is typically during the winter season, which normally runs from November to mid-March.

Aero has followed a controlled and organic growth model, allowing it to evolve and adapt its rental equipment mix to the changing needs of its customers. The current mix of rental assets is ideally suited for well completions in the emerging shale and tight natural gas resource plays of the WCSB. Development of these resource plays requires intensive well fracturing services at high pressure which require the various types of equipment provided by Aero.

The capital cost of rental equipment can vary greatly depending on the types of assets being purchased. In addition, lead times for procuring rental equipment can be significant, in some cases six months to one year, creating difficulty for new entrants into this market.

In recent years Aero has seen an increased demand for equipment packages for SAGD related work. These SAGD operations require larger and lower pressure BOPs and bigger accumulators to manage the increased volumes generated by these BOPs. Well servicing rig contractors that are contracted to perform production and completion services on SAGD wells, are often required to sub-rent the larger BOPs that are not part of the typical well servicing rig package. In addition, as public awareness of heavy oil and SAGD operations increases, operators are under greater scrutiny to ensure their operations are performing at the highest level of safety and environmental standards possible, and therefore Aero is seeing increased demand for certain equipment, such as automated catwalks which reduce employee exposure to certain types of injuries.

Aero competes against large multi-national rental companies operating across western Canada and a number of smaller companies operating in various regions of western Canada, each of which offers a different range of rental equipment.

Competitive Conditions

The Corporation, through its operating divisions and subsidiaries, provides oilfield services primarily to the field operation locations of E&P companies located in the WCSB and in the Williston Basin in the United States. The oilfield services business is highly competitive and in order to be successful, the Corporation and its subsidiaries must provide services that meet the specific needs of its customers at competitive prices. The principal competitive factors in the markets in which the Corporation operates are: (i) service quality and availability; (ii) reliability and performance of equipment used to perform its services; (iii) technical knowledge and experience; (iv) a reputation for safety performance; and (v) price. The Corporation competes with several smaller and larger regional competitors. Competitors offer similar services in all geographic regions in which the Corporation operates.

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

Drilling and completion activity levels in the WCSB have declined since late 2014 as a result of the reducing commodity prices. Such reduced activity levels by E&P companies have directly resulted in the demand for the Corporation's services (and those of its competitors) decreasing which, in turn, has increased the competition among the Corporation and its competitors. The increase in competition has resulted in reduced utilization and day rates for the Corporation's services. The reduced demand, utilization and day rates have together contributed to the Corporation's revenues decreasing significantly in fiscal 2015 over fiscal 2014. The Corporation expects this to continue until commodity prices recover to more sustainable levels.

Cyclical and Seasonal Nature of the Industry

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

- Spring Break-up — typically occurs between mid-March and mid-June. The northern drilling locations thaw and southern lands become impractical for travel due to wet road and surface conditions resulting in road bans. Drilling and other oilfield activity is generally low during these periods with E&P companies planning for the summer drilling season.
- Summer and Fall Drilling Season — typically occurs between mid-June and mid-October, generally focused on areas that are accessible in the summer (i.e. not situated in areas covered with muskeg); summer drilling activity is generally not as strong as the winter drilling season.
- Switch Over to Winter Drilling Season — typically occurs between mid-October and mid-November and is characterized by lighter drilling activity when many companies are moving off summer drilling locations and preparing winter drilling leases for delivery of equipment.

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

The volatility in the weather and temperature can create unpredictable activity and utilization rates, which can have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of E&P companies and corresponding declines in the demand for the goods and services of the Corporation. See "*Risk Factors – Seasonality*". However, in the contract drilling industry, more and more customers are utilizing pad drilling techniques and programs to allow for longer or even year round drilling. The Corporation currently has four pad rigs in Canada and three pad rigs in the United States.

Environmental Considerations

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

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

The Corporation is pro-active in its approach to environmental concerns. Generally, industry acceptable contracts in Canada and the United States, both drilling and well servicing, provide a clear division of responsibilities relating to the foregoing between oilfield service companies and the customer. Procedures are also in place to ensure that care is taken in the day-to-day management of the Corporation's oilfield services operations.

Employees

As at December 31, 2015, the Corporation had, together with its subsidiaries, 632 employees.

Reorganizations

On January 1, 2013, the Corporation amalgamated with its wholly-owned subsidiaries Horizon Drilling Inc. and Matrix Well Servicing Inc. ("Matrix") and continued as Western. Horizon Drilling now operates as a division of Western. Matrix operated as a division of Western until the acquisition of IROC at which time the well servicing operations were consolidated under the Eagle Well Servicing division.

On November 26, 2013, IROC was continued into Alberta under the ABCA. On December 30, 2013 IROC transferred its 2% interest in IROC Drilling Partnership to Western Energy Services (1) Holdings, a newly incorporated Alberta entity. On December 31, 2013, IROC was amalgamated with IROC Drilling and Production and continued as IROC Drilling and Production.

On January 2, 2014, the name of IROC Energy Services Partnership was changed to the Western Energy Services Partnership with IROC Drilling and Production owning 98% of the Partnership and Western Energy Services (1) Holdings owning 2% of the Partnership.

The Corporation completed an internal reorganization on December 28, 2015 pursuant to which: (i) all of the assets and business of Western Energy Services Holdings (1) were transferred to IROC Drilling and Production; (ii) all of the obligations and liabilities of Western Energy Services Holdings (1) were assumed by IROC Drilling and Production; (iii) Western Energy Services Holdings (1) was dissolved; and (iv) Western Energy Services Partnership was terminated. IROC Drilling and Production then changed its name to Western Production Services Corp.

Risk Factors

The following is a summary of certain risk factors relating to the business of the Corporation. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this document, along with Western's other continuous disclosure documents filed in accordance with NI 51-102 with the Canadian securities regulatory authorities. Shareholders and potential shareholders should consider carefully the information contained herein and, in particular, the following risk factors.

Western's Operations are Highly Dependent on the Price of Oil and Natural Gas and Oilfield Services Industry Conditions

Western sells its services to E&P companies. Macroeconomic and geopolitical factors associated with oil and natural gas supply and demand are prime drivers for pricing and profitability within the oilfield services industry. Generally, when commodity prices are relatively high, demand for Western's services are high, while the opposite is true when commodity prices are low. The markets for oil and natural gas are separate and distinct. Oil is a global commodity with a vast distribution network. As natural gas is most economically transported in its gaseous state via pipeline currently, its North American market is dependent on pipeline infrastructure and is subject to regional supply and demand factors. However, recent developments in the transportation of liquefied natural gas in ocean going tanker ships have introduced an element of globalization to the natural gas market. Crude oil and natural gas prices can be very volatile, which accounts for much of the cyclical nature of the oilfield services business. In fact, the price of West Texas Intermediate Crude has fallen approximately 66% from its peak in June 2014 of approximately US$108/bbl to the December 31, 2015 exit price of approximately US$37/bbl. Similarly, the price of heavy oil, such as Western Canadian Select, has decreased 65% from its peak in June 2014 of approximately $95/bbl to approximately $33/bbl at the end of 2015. This type of price deterioration has had, and if sustained will continue to have, a significant adverse effect on the Corporation's business and financial results.

Worldwide military, political and economic events, including initiatives by the Organization of the Petroleum Exporting Countries and other major petroleum producing and/or exporting countries, for instance, affect both the demand for, and the supply of, oil and natural gas and its pricing. Weather conditions, governmental regulation (both in Canada, the United States and elsewhere), royalty regimes, levels of consumer demand, the availability of pipeline capacity, United States and Canadian crude oil and natural gas storage levels, oil and gas environmental laws, policies and activism and other factors beyond Western's control also affect the supply of and demand for oil and natural gas and thus lead to price volatility.

Prolonged low oil and natural gas prices, like the prices which have existed since late 2014, generally depress the level of exploration and production activity by E&P companies which causes a corresponding decline in the demand for drilling and completion services and, as a result, has an adverse effect (which could be material) on the Corporation's business and financial results. Sustained lower oil and natural gas prices could also cause Western's customers to seek to terminate, renegotiate or fail to honour its drilling contracts which could also have a material adverse effect on the Corporation's business and financial results. All of these factors could affect Western's ability to retain skilled field personnel and its ability to obtain access to capital to finance and grow its businesses. Any adverse changes to government incentives with regards to royalties could also have a significant impact on the oilfield services industry in Canada or the United States and, as a result, Western's business and financial results. The level of activity in the Canadian and United States oil and gas exploration and production industry is volatile. The level of demand for Canadian oil and gas from the United States, Canada's largest oil and gas customer, is also volatile due to increases in domestic United States production and the reluctance of the United States government to approve Canadian pipeline projects, such as the recently rejected Keystone XL project. There can be no assurance that the future level of demand for Western's services or future conditions in the oil and natural gas and oilfield services industries will not decline.

Western's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues are impacted by fluctuations in commodity prices. The collection of receivables may be adversely affected by any prolonged weakness in oil and natural gas prices.

Throughout 2015 the low commodity price environment resulted in significantly reduced activity levels by E&P companies in both Canada and the United States. These reduced activity levels caused a severe decline in the demand for oilfield services, including the Corporation's equipment and services, and a reduction in the prices being paid for such services. As a result, the Corporation's utilization rates and revenues were adversely affected in 2015 by these market conditions. These conditions and results are expected to continue throughout much of 2016.

Competition

The contract drilling, well servicing and oilfield rental equipment business is highly competitive and the Corporation competes with a substantial number of companies in each of its business lines. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new competitors will not enter the various markets in which the Corporation is active. Reduced levels of activity in the oil and natural gas industry can intensify competition and result in lower revenue to the Corporation. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, will have an effect upon the Corporation's ability to generate revenue and earnings.

Drilling and completion activity levels in the WCSB have declined since late 2014 as a result of the reducing commodity prices. Such reduced activity levels by E&P companies have directly resulted in the demand for the Corporation's services (and those of its competitors) decreasing which, in turn, has increased the competition among the Corporation and its competitors. The increase in competition has resulted in reduced utilization and day rates for the Corporation's services. The reduced demand, utilization and day rates have together contributed to the Corporation's revenues decreasing significantly in fiscal 2015 over fiscal 2014. The Corporation expects this to continue until commodity prices recover to more sustainable levels.

Cyclical Nature of the Oilfield Services Industry

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

The number of newly built or refurbished high specification drilling rigs and new well servicing rigs competing for work in the market areas Western serves has increased. Management expects that more of these newer rigs may enter Western's potential market areas in the future as older, less efficient rigs are retired. The addition of these rigs could continue to intensify price competition and possibly reduce customer demand for term drilling contracts, which would have an adverse effect on Western's business and financial results.

Western provides oilfield services primarily to the field operation locations of E&P companies located in the WCSB and the Williston Basin in the United States. The oilfield services business in which Western operates is highly competitive. To be successful, Western must provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which Western operates are (1) service quality and availability, (2) reliability and performance of people and equipment used to perform its services, (3) technical knowledge and experience, (4) reputation for safety and (5) price. Western will compete with several regional competitors that are both smaller and larger than it is. These competitors offer similar services in all geographic regions in which Western operates. As a result of competition, Western may be unable to continue to provide its present services or to acquire additional business opportunities, which could have a material adverse effect on Western's business and financial results.

Capital Overbuild in the Contract Drilling and Well Servicing Industry

Because of the long life nature of drilling and well servicing equipment and the lag between when the decision to build a rig is made and when that rig is placed into service, the number of rigs in the industry does not always correlate to the level of demand for those rigs. Periods of high demand often spur increased capital expenditures on rigs, and those capital expenditures may result in equipment supply exceeding actual demand. The potential of a capital overbuild in the industry could cause Western's competitors to lower their rates and could lead to a decrease in rates in the oilfield services industry generally, which would have an adverse effect on Western's business and financial results.

Dividends

The declaration and payment by the Corporation of dividends on Common Shares in the future will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions. Future dividend payments by Western and the level thereof is uncertain, as the funds available for the payment of dividends from time to time will be dependent upon, among other things, cash flow from operations generated by Western and its subsidiaries, financial requirements for Western's operations and the execution of its growth strategy, fluctuations in working capital, the timing and amount of capital expenditures, debt service requirements and covenants, statutory liquidity requirements under the ABCA and other factors beyond the control of Western. Dividends may be reduced, suspended or eliminated entirely depending on Western's operations and the performance of Western's assets and such other factors as the Board considers appropriate. The market value of Common Shares may deteriorate if Western reduces, suspends or terminates its cash dividends in the future, and such deterioration may be material.

On February 25, 2016, the Board suspended the declaration of dividends until further notice. The Board will continue to consider the declaration of dividends, if any, on a quarter by quarter basis, but there are no guarantees any dividends will be declared in the future.

Price of Common Shares

Many factors including, but not limited to, our financial and operating results, can affect the volatility and price of the Common Shares. Some of these factors include the current local and global economic condition, governmental/regulatory actions or inactions, speculation made by media or the investment community, industry conditions, commodity prices, foreign exchange rates and political or other events unrelated to our operating performance may impact the price of the Common Shares. Investors should not place undue reliance on historical share price as an indicator of future share price and should seek advice from a financial expert prior to investing.

Future Sales of Common Shares by the Corporation

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

Leverage and Restrictive Covenants

The ability of Western to make payments, dividends, or enter into certain transactions will be subject to applicable laws and contractual restrictions in the instruments governing its indebtedness, including the Credit Facilities and the Senior Notes.

The degree to which Western is leveraged could have important consequences for investors including: (i) Western's ability to obtain additional financing for working capital, capital expenditures or future acquisitions; (ii) all or part of Western's cash flow from operations may be dedicated to the payment of the principal of and interest on Western's indebtedness, thereby reducing or eliminating funds available for future operations and dividends; (iii) certain of Western's borrowings may be at variable rates of interest, which exposes Western to the risk of increased interest rates; and (iv) Western may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors could have a material adverse effect on Western's business and financial results.

The Credit Facilities and the Indenture contain numerous covenants that limit the discretion of management with respect to certain business matters. These covenants will place restrictions on, among other things, the ability of Western to create liens or other encumbrances; to pay dividends or make other distributions, or make certain other investments, loans and guarantees; to sell or otherwise dispose of assets or repurchase stock, merge, amalgamate or consolidate with another entity. In addition, the Credit Facilities, contain a number of financial covenants that require Western to meet certain financial ratios and financial condition tests. Western's ability to meet such tests could be affected by events beyond its control, and it may not be able to meet such financial ratios and/or tests.

A failure to comply with the obligations in the Credit Facilities, including financial ratios and financial condition tests, could result in a default which, if not cured or waived, would permit acceleration of the repayment of the relevant indebtedness as the lenders could elect to declare all amounts outstanding under the Credit Facility to be immediately due and payable and terminate all commitments to extend further credit. If the lenders were to accelerate the repayment of borrowings, Western may not have sufficient assets to repay balances owing on the Credit Facility as well as its unsecured indebtedness, including the Notes, as the acceleration of Western's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. If Western's indebtedness is accelerated and the Corporation was not able to repay its indebtedness or borrow sufficient funds to refinance it, the lenders under the Credit Facility could proceed to realize upon the collateral granted to them to secure that indebtedness which could have a material adverse effect on Western's business and financial results. Even if Western is able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to Western and/or may impose financial restrictions and other covenants on it that may be more restrictive than the Credit Facility or Indenture.

Notwithstanding an event of default, there is also no assurance that Western will be able to refinance any or all of the Credit Facilities and Senior Notes at their maturity dates on acceptable terms, or on any basis.

Global Economic Uncertainty

The overall uncertainty surrounding global economic conditions have contributed significant volatility to commodity prices in North America and, as a result, have had (and likely will continue to have) adverse effects on the oil and gas industry in North America. Global economic conditions that may affect the North American oil and gas industry include, among other things, demand for commodities, sovereign debt levels, political unrest and high levels of unemployment. Such factors continue to impact commodity prices in North America and contribute to higher volatility in North American stock markets. Continued negative volatility of global economic conditions will have an adverse effect on Western, its customers and its suppliers.

Seasonality

In Canada the level of activity in the oilfield services industry is influenced by seasonal weather patterns. The spring thaw makes the ground unstable and less capable of supporting heavy weights. Consequently, municipalities and transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing drilling and well servicing activity levels. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting Western's business and financial results.

There is greater demand for oilfield services provided by the Corporation in the winter season when the occurrence of freezing permits the movement and operation of heavy equipment. Activities tend to increase in the fall and peak in the winter months of November through March. However, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. Volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on the Corporation's business and financial results.

Reliance on Key Personnel and Experienced Crews

The success of the Corporation is dependent upon its key personnel. The Corporation may, at times, not be able to find enough skilled labour to meet its needs, which could limit its growth. The Corporation may also have difficulty finding enough skilled and unskilled labourers in the future if demand for its services increases. Shortages of qualified personnel have occurred in the past during periods of high demand and there is no guarantee that such shortages will not occur in the future. In addition, periods of increased demand have typically led to wage rate increases which may or may not be reflected by service rate increases, while in periods of decreased demand wages may or may not be reduced to offset a potential reduction in service rates.

Other factors may also inhibit the Corporation's ability to find enough workers to meet its employment needs. The work currently performed by the Corporation's field employees requires skilled workers who can perform physically demanding work. As a result of volatility in oil and natural gas activity and the demanding nature of the work, workers may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive with the Corporation's. The Corporation believes that its success is dependent upon its ability to continue to employ and retain skilled technical personnel and qualified rig personnel. The Corporation's inability to employ or retain skilled technical personnel and qualified rig personnel generally could have a material adverse effect on its operations.

The Corporation's ability to provide reliable services is dependent upon the availability of well-trained, experienced crews to operate its field equipment. The Corporation must also balance the requirement to maintain a skilled workforce with the need to establish cost structures that fluctuate with activity levels. Within the Corporation the most experienced employees are retained during periods of low utilization by having them fill lower level positions on field crews. It is not uncommon for the Corporation's businesses to experience manpower shortages in peak operating periods.

Credit Risk

Credit risk in Western's business arises primarily from credit exposure to customers and partners in the form of outstanding accounts. The maximum exposure to credit risk is equal to the carrying amount of the financial assets.

The Corporation generally grants unsecured credit to its customers; however, the Corporation applies rigorous evaluation procedures to new customers and analyzes and reviews the financial health of its current customers on an ongoing basis. The allowance for doubtful accounts and past due receivables are reviewed by management on at least a monthly basis. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer may default. The Corporation takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Corporation accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual amount receivable. When a receivable balance is considered uncollectible it is written off against the allowance for doubtful accounts. Subsequent recovery of amounts previously written off are included in net earnings.

Based on the nature of its operations, the Corporation will always have a concentration of credit risk as nearly all of the Corporation's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks.

Credit Ratings

Credit ratings from organizations such as S&P and Moody's can affect Western's ability to secure financing and the associated costs of financing. If a particular agency reduces its rating on Western's debt, or the Corporation experiences a negative change in its ratings outlook, it could have an adverse effect on Western's financing costs and access to liquidity and capital.

Shareholders and potential investors that use credit ratings as part of their investment decision, should be aware that they are based on opinions about relative credit risk, and should not be used as a sole means for investment advice.

Risks of Interruption and Casualty Losses

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

Agreements and Customers

The business operations of Western will depend, to a certain extent, on industry standards, and in some cases, verbal agreements with its customer base, some of which are cancellable at any time by Western, or its customers, upon certain conditions being met. The key factors which will determine whether a client continues to use Western are (i) service quality and availability, (ii) reliability and performance of personnel and equipment used to perform its services, (iii) technical knowledge and experience, (iv) reputation for safety and (v) competitive pricing. There can be no assurance that Western's relationship with its customers will continue, and a significant reduction or total loss of the business from a customer, if not offset by sales to new or existing customers, could have a material adverse effect on Western's business, financial condition, results of operations and cash flows.

At times a number of Western's drilling rigs may be under long-term take-or-pay contracts which provide a base level of future revenue over the term of the contract. Western is subject to the risk that customers may not honour these types of agreements or any other agreements with or commitments to Western. In addition, Western is subject to counter-party credit risk which risk increases materially in a low commodity price environment. Breaches of agreements or commitments by Western's customers, or failure or inability to pay by Western's customers, could materially reduce the Corporation's revenue and profitability and may have a material adverse effect on the results of its operations.

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

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

Although Western and each of its operating divisions have a large and diverse customer base, one significant customer accounted for more than 10% of Western's total consolidated revenues in 2015. The loss of a significant customer, or any significant decrease in services provided to a customer, prices paid or any other changes to the terms of services with customers, could have a material adverse effect on Western's business and financial results.

Western's Business is affected by Governmental Regulations and Policies

Certain activities conducted by Western are affected by factors that are beyond its control or influence. Western's businesses and activities in Canada and its operations in the United States are directly affected by fluctuations in exploration, development and production activity carried on by its customers which, in turn, is dictated by numerous factors including global energy prices and government policies. The addition, elimination or curtailment of government regulations and incentives could have a significant impact on the oil and natural gas business in Canada and abroad. These factors could lead to a decline in the demand for its services, resulting in a material adverse effect on the Corporation's business and financial results.

Further, the operations of Western are subject to a variety of federal, state, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Western believes that each of its subsidiaries and operating entities are currently in compliance with such laws and regulations. Western currently invests financial and managerial resources to ensure such compliance and will continue to do so in the future. Such laws or regulations are subject to change, accordingly Western cannot accurately predict the cost or impact of such laws and regulations on Western's future operations.

Greenhouse Gas Emissions

The Corporation's exploration and production customers' facilities and other operations and activities emit greenhouse gases ("GHG") and require them to comply with GHG emissions legislation in force in those provinces and states in which it operates or that may be enacted in provinces and states in which it operates. The Corporation and its customers may also be required to comply with the regulatory schemes for GHG emissions ultimately adopted by the federal governments in the United States and Canada.

In August 2015 the Alberta Government appointed a Climate Leadership Panel to provide advice to the government on, among other things, the development of a comprehensive climate change strategy and to provide the Minister of Environment and Parks advice on a comprehensive set of policy measures to reduce GHG emissions in Alberta. On November 22, 2015 the Alberta government released the Climate Leadership Panel's Report to the Minister. The Panel recommended a new Carbon Competitiveness Regulation to replace the existing emissions regulations. The government announced that it would implement its recommendations on imposing a new economy-wide price on carbon emissions of $20 per tonne on January 1, 2017 and rising to $30 per tonne on January 1, 2018. The Panel estimates consumers and businesses will pay an additional 7¢ per litre for regular gasoline and $1.68 GJ for natural gas due to this carbon levy. British Columbia also has a $30 per tonne carbon tax.

Methane emission reduction in the oil and gas industry is also a key to Alberta's new carbon plan with a goal of reducing oil and gas methane emissions by 45% by 2025. Methane is a GHG. The Panel has made two recommendations in this regard. First, if adopted by the Alberta government, new design specifications will be put in place by the Alberta Energy Regulator over the next several years for oil and gas wells, pipelines and facilities as well as standards for key equipment and operational best practices. Fugitive emission standards will also be included in the regulatory requirements and will require raising current standards for performance, monitoring, measurement and reporting.

Second, the Panel recommended that regulators, the oil and gas industry, independent experts and environmental groups collaborate to develop and oversee a multi-year plan for updating or retrofitting methane-emitting equipment in existing facilities before the end of the equipment's useful life. The plan's specifics have not yet been announced, but the work would be aimed at creating an offset trading system whereby operators who take early action in retiring methane-emitting equipment can be rewarded. The Panel recommended that at the end of five years, or longer if there is evidence of cost effectiveness, the Alberta government should mandate the replacement of such equipment at facilities that have not participated in the offset program before the end of the equipment's life.

Until Alberta's specific methane emission requirements are developed, it is not known what rigs and equipment of Western will be effected, if any. It is possible some equipment will have to be prematurely retired before the end of its useful life.

The direct or indirect costs of GHG emission reduction regulations may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. The future implementation or modification of GHG regulation could have a material impact on the nature of oil and natural gas operations of the Corporation's customers. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition.

Safety Performance

The safety performance of the Corporation and each of its operating divisions and subsidiaries is an important part of the Corporation's business and the Corporation's customer's business. Western's

Health, Safety and Environment department develops, implements and monitors strategies to ensure all of the Corporation's operations are meeting regulatory and internal safety policies and procedures. The Corporation's safety performance is continuously monitored at all levels of the Corporation, starting with the Board of Directors.

A decline in the Corporation's safety performance could negatively impact the Corporation's ability to perform work for certain customers or potential customers, and therefore could have an adverse effect on the Corporation's business and financial results.

Foreign Operations

Some of the Corporation's current operations and related assets are located in the United States. In addition, the Corporation's growth plans may contemplate establishing operations in other foreign countries, including countries where the political and economic systems may be less stable than those in North America. Risks of foreign operations include, but are not limited to, changes of laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange, inflation, repatriation of earnings, social unrest or civil war, acts of terrorism, extortion or armed conflict and uncertain political and economic conditions resulting in unfavourable government actions such as unfavourable legislation or regulation. While the impact of these factors cannot be accurately predicted, if any of the risks materialize, it could have a material adverse effect on the Corporation's business and financial results.

Rig Construction Risks

When Western contracts for the construction of a drilling or well servicing rig, the cost of construction of the rig and the timeline for completing the construction are estimated at that time. Actual costs of construction may, however, vary significantly from those estimated as a result of numerous factors, including, without limitation, changes in input costs such as the price of steel, variations in labour rates, and, to the extent that component parts must be sourced from other countries, fluctuations in exchange rates. In addition, several factors could cause delays in the construction of a rig, including shortages in skilled labour and delays or shortages in the supply of component parts. While Western has not experienced any material delays to date, construction delays in the future could lead to postponements of the anticipated date for deployment of a newly constructed rig into operation and any such postponement could have a negative effect on cash flows generated from operations, of which the effect may be material.

Tax Matters

The taxation of corporations is complex. In the ordinary course of business, Western may be subject to ongoing audits by tax authorities. While Western believes that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. In addition, the previous tax filing positions of businesses acquired by Western may be reviewed and challenged by tax authorities. If such challenge were to succeed, it could have a material adverse effect on Western's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could have a material adverse effect on Western's tax position. As a consequence, Western is unable to predict with certainty the effect of the foregoing on Western's taxes payable, effective tax rate and earnings.

Western regularly reviews the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from these provisions, Western's taxes payable, effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. Western intends to mitigate this risk through ensuring tax staff are well trained and supervised and that tax filing positions are carefully scrutinized by management and external consultants, as appropriate.

There can be no assurance that income tax laws or the interpretation thereof in any of the jurisdictions in which Western operates will not be changed or interpreted or administered in a manner which adversely affects Western, its subsidiaries, and its shareholders. In addition, there is no assurance that the Canada Revenue Agency, the Internal Revenue Service or a provincial or foreign tax agency (collectively, the "Tax Agencies") will agree with the manner in which Western or its subsidiaries calculate their income or taxable income for tax purposes or that any of the Tax Agencies will not change their administrative practices to the detriment of Western, its shareholders or both.

Vulnerability to Market Changes

Fixed costs, including costs associated with operations, leases, labour costs and depreciation will account for a significant portion of the Corporation's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could have a material adverse effect on the Corporation's business and financial results.

Potential Replacement or Reduced Use of Products and Services

Certain of the Corporation's equipment may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be preferable for environmental or other reasons. The Corporation will need to keep current with the changing market for oilfield services and technological and regulatory changes. If the Corporation fails to do so, this could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

New Technology Could Place Western at a Disadvantage versus Competitors

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

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

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

Dependence on Suppliers

Failure of suppliers to deliver equipment in a timely and efficient manner could be detrimental to the Corporation's ability to keep customers and to grow. In addition, certain equipment is manufactured specifically for the Corporation and the Corporation is dependent upon the continued availability of the manufacturer and the maintenance of the quality of manufacturing. No assurances can be given that the Corporation will be successful in maintaining its required supply of equipment.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, environmental protection regulation, increasing consumer demand for alternatives to oil and gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and natural gas hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and gas products, and any major changes could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. Western expects to continue to selectively seek strategic acquisitions. Western's ability to consummate and to integrate effectively any future acquisitions on terms that are favourable to it may be limited by the number of attractive acquisition targets, internal demands on Western's resources and, to the extent necessary, Western's ability to obtain financing on satisfactory terms, if at all. Acquisitions may expose Western to additional risks, including: difficulties in integrating administrative, financial reporting, operational and information systems; managing newly-acquired operations and improving their operating efficiency; difficulties in maintaining uniform standards, controls, procedures and policies through all of Western's operations; entry into markets in which Western has little or no direct experience; difficulties in retaining key employees of the acquired operations; and disruptions to Western's ongoing business.

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

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

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

Environmental Liability

The Corporation is subject to the operating risks inherent in the industry, including environmental damage. The Corporation has established programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Corporation's procedures will prevent environmental damage occurring from spills of materials handled by the Corporation or that such damage has not already occurred. On occasion, substantial fines or liabilities to third parties may be incurred. The Corporation may have the benefit of insurance maintained by it or the oil and natural gas exploration and production company operating the well, however, the Corporation 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.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time.

In recent years, the Canadian dollar has experienced levels which were below par of the United States dollar although the Canadian dollar may experience fluctuations from such levels. To the extent that Western engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which Western may contract.

The Corporation is exposed to interest rate risk on a portion of its long-term debt specifically the Revolving Facility and the Operating Facility. Floating-rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate with changes in market interest rates.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial and other obligations as they become due or can do so only at excessive cost. The Corporation maintains what it believes to be a conservatively leveraged balance sheet and can finance any future growth through one of or a combination of internally generated cash flows, borrowing under existing credit facilities, the issuance of debt or the issuance of equity, according to its capital management objectives. However, there is no guarantee that the Corporation will be able to achieve any of the foregoing if depressed industry market or economic conditions continue or worsen.

Asset Impairment

The Corporation is required to periodically review asset balances including goodwill and capital assets for impairment when certain factors indicate the need for analysis. In the case of goodwill, if any exists on the balance sheet, an impairment test must be completed at least annually. These calculations are based on management's estimates and assumptions at the time the analysis is made. Several factors are included in this analysis and may include changes in share price, cash flow and earnings estimates, changes in market conditions, and general local and global economic conditions. Any resulting future impairment write down to goodwill or capital assets could result in a non-cash charge against net earnings, and could be material in nature.

Access to Additional Financing

The Corporation may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to re-finance debt (including the Notes which are due in 2019), to undertake capital expenditures or to undertake acquisitions or other business combination transactions (including joint venture transactions). There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise financing to support ongoing operations, to re-finance debt or to fund capital expenditures or acquisitions or other business combination transactions could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Where additional financing is raised by the issuance of Common Shares or securities convertible into Common Shares, shareholders may suffer dilution to their investment. The Corporation's activities may also be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Conflicts of Interest

There are potential conflicts of interest which may arise as a result of the members of Western's Board being engaged in certain businesses on their own behalf or on behalf of other companies. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA and Western's internal code of business conduct and ethics.

DIVIDENDS

The following is a summary of quarterly dividends declared to date by the Corporation:

Declaration Date	Dividend per Common Shares	Payment Date
August 8, 2012	$0.075	October 12, 2012
October 31, 2012	$0.075	January 11, 2013
February 27, 2013	$0.075	April 12, 2013
May 1, 2013	$0.075	July 12, 2013
July 31, 2013	$0.075	October 15, 2013
October 30, 2013	$0.075	January 14, 2014
February 27, 2014	$0.075	April 14, 2014
May 1, 2014	$0.075	July 14, 2014
July 30, 2014	$0.075	October 14, 2014
October 30, 2014	$0.075	January 15, 2015
February 26, 2015	$0.075	April 16, 2015
April 30, 2015	$0.075	July 16, 2015
July 30, 2015	$0.075	October 15, 2015
October 29, 2015	$0.05	January 14, 2016

Western's dividends have been, and, unless indicated otherwise, Western expects any future dividends will continue to be, eligible dividends for Canadian income tax purposes.

The Corporation does not have a dividend policy. The amount and timing of future cash dividends, if any, will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions, including, among other things, cash flow from operations generated by Western and its subsidiaries, financial requirements for Western's operations and the execution of its growth strategy, fluctuations in working capital, the timing and amount of capital expenditures, debt service requirements and covenants, statutory liquidity requirements under the ABCA and other factors beyond the control of Western.

On February 25, 2016, the Board suspended the declaration of dividends until further notice. The Board will continue to consider the declaration of dividends, if any, on a quarter by quarter basis.

DESCRIPTION OF THE CORPORATION'S SECURITIES

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of February 25, 2016, the Corporation had 73,646,292 Common Shares and no preferred shares issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of the Corporation.

Common Shares

Holders of Common Shares are entitled to dividends as and when declared by the Board of Directors, to one vote per share at meetings of Shareholders and, upon liquidation, to receive such assets of the

Corporation as are distributable to the shareholders of the Corporation, subject to the rights of holders of Preferred Shares having priority over the Common Shares. All of the Common Shares issued and outstanding have been issued as fully paid and non-assessable.

Preferred Shares

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

Senior Notes

General

On January 30, 2012 Western completed the offering of the 2012 Notes. The 2012 Notes were issued at par. On September 18, 2013, Western completed the offering of the 2013 Notes. The 2013 Notes were issued at $1,016.25 per $1,000 principal amount plus accrued interest from and including July 30, 2013. The Indenture describing the terms of the Senior Notes is available under the Corporation's profile on SEDAR at www.sedar.com.

Ratings on the Senior Notes

S&P has assigned an issuer credit rating of B+ (stable outlook) to Western and an issuer credit rating of B+ and recovery rating of 4 to the Notes. Moody's has assigned a corporate family credit rating of B2 to Western and a long-term obligation rating of B3 to the Notes.

S&P's long-term issuer and long-term issue credit rating scales range from AAA to D, which represents the range from highest to lowest quality. As stated by S&P, an issuer credit rating is a forward-looking opinion about an issuer's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the issuer's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences or the legality and enforceability of the obligation. As stated by S&P, an issuers' credit rating is a forward-looking opinion about the creditworthiness of an issuer with respect to a specific financial obligation, a specific class of financial obligations or a specific financial program. It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P's view of the issuer's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default. S&P's issuer credit ratings are based, in varying degrees, on S&P's analysis of the likelihood of payment, the nature of and provisions of the obligation, and the protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights. Further, an S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. As stated by S&P, a "stable" outlook means that a rating is not likely to change. A rating of "B" is the 6th highest of ten major categories. According to S&P, an issuer rated "B" is more vulnerable than higher-rated entities, but the issuer currently has the capacity to meet its financial commitments. Adverse business, financial or economic conditions will likely impair the issuer's capacity or willingness to meet its financial commitments.

According to S&P, an obligation rated "B" is more vulnerable to non-payment than higher-rated obligations, but the issuer currently has the capacity to meet its financial commitment on the obligation. However, exposure to adverse business, financial, or economic conditions, could impair the issuer's capacity or willingness to meet its financial commitments on the obligation. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category.

Moody's long-term obligation and corporate family rating scales range from Aaa to C, which represents the range from highest to lowest quality. As stated by Moody's, a long-term obligation rating is an opinion of the relative credit risk of financial obligations with an original maturity of one year or more. The rating addresses the possibility that a financial obligation will not be honoured as promised. As stated by Moody's, a corporate family rating is an opinion of a corporate family's ability to honour all of its financial obligations. A corporate family rating does not reference an obligation or class of debt and thus does not reflect priority of claim. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default. A rating of "B" is the 6th highest of nine major categories. According to Moody's, obligations rated "B" are considered speculative and subject to high credit risk. The addition of a 1, 2 or 3 modifier after a rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Each rating agency has several categories of long-term debt ratings that may be assigned to a particular issue or issuer. Prospective purchasers of the Notes should consult the respective rating agency with respect to the interpretation and implication of the foregoing ratings and outlooks.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuer of securities. The credit ratings assigned to the Corporation and the Notes are not recommendations to purchase, hold or sell such securities inasmuch as such ratings are not a comment upon the market price of the securities or their suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

MARKET FOR SECURITIES

Trading Price and Volume of Western's Common Shares

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

	Price Range		
2015	**High ($)**	**Low ($)**	**Volume**
January	6.70	4.88	4,443,774
February	6.68	5.12	3,668,338
March	6.46	5.09	3,003,315
April	7.49	6.09	2,628,660
May	7.89	6.11	1,867,681
June	6.50	5.70	3,340,149
July	5.96	5.03	1,895,523
August	5.65	3.03	3,125,343
September	5.53	4.72	2,531,145
October	5.82	3.90	1,356,895
November	4.18	3.23	1,833,438
December	4.00	2.86	1,949,351

Prior Sales

The following tables set forth, for each class of securities of the Corporation that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the financial year ended December 31, 2015 and the number of securities of the class issued at that price and the date on which the securities were issued.

Stock Options

Description [1]	Number of Securities	Price per Security[2] ($)	Date of Issuance
Stock Options	13,600	6.01	January 1, 2015
Stock Options	18,166	6.21	April 1, 2015
Stock Options	67,000	6.54	April 6, 2015
Stock Options	85,000	5.79	July 1, 2015
Stock Options	2,200,315	5.03	August 14, 2015
Stock Options	52,750	4.51	August 26, 2015
Stock Options	73,000	5.14	October 1, 2015

Notes:

(1) "Stock Options" means options to purchase Common Shares granted pursuant to Western's Stock Option Plan.

(2) Represents the exercise price per stock option.

Restricted Share Units

Cash Settled

Description [1]	Number of Securities	Date of Issuance
RSU	6,950	January 1, 2015
RSU	2,450	April 1, 2015
RSU	4,800	July 1, 2015
RSU	298,751	August 14, 2015
RSU	6,500	October 1, 2015
RSU	2,700	October 9, 2015

Treasury Settled

Description [1]	Number of Securities	Date of Issuance
RSU	983	April 1, 2015
RSU	5,300	April 6, 2015
RSU	6,000	July 1, 2015
RSU	308,812	August 14, 2015
RSU	5,750	August 26, 2015
RSU	2,000	October 1, 2015

Note:

(1) "RSU" means Restricted Share Units issued pursuant to Western's Restricted Share Unit Plan.

DIRECTORS AND OFFICERS

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

Name and Place of Residence	Position with Western	Director or Officer of Western Since	Principal Occupation and Positions for the Past Five Years
Donald D. Copeland (1)(2)(3) British Columbia, Canada	Director	June 17, 2011	Mr. Copeland is an independent businessman. Mr. Copeland was the Chairman of Stoneham Administration Inc. and administrator of Stoneham Drilling Trust from June 4, 2008 to June 17, 2011. Prior thereto Mr. Copeland was the Executive Chairman of Upper Lake Oil and Gas Ltd. from October 2007 to August 2008. Prior thereto, Mr. Copeland was Chairman and Chief Executive Officer of Diamond Tree Energy Ltd. and its predecessor from May 2001 to October 2007.
Lorne A. Gartner (1)(3) Alberta, Canada	Director	June 16, 2011	Mr. Gartner is an independent businessman. Formerly, Mr. Gartner was a Managing Director of Royal Bank of Canada Capital Markets, a position he held from 2000 to 2006. Prior to that time, Mr. Gartner was a Vice President of Royal Bank of Canada, Calgary Energy Group.
Ronald P. Mathison(1)(2) Alberta, Canada	Director and Chairman of the Board	December 17, 2010	Mr. Mathison is the President and Chief Executive Officer of Matco Investments Ltd. and Matco Capital Ltd., private investment firms which specialize in providing capital and management expertise to companies in which they have an interest.
John R. Rooney(2)(3) Alberta, Canada	Director	December 22, 2009	Mr. Rooney is currently the Chairman and Chief Executive Officer of Northern Blizzard Resources Inc., a public oil and gas company, since November 2009. From December 2007 to April 2009, Mr. Rooney was the Chief Executive Officer of Tusk Energy Inc., a public oil and gas company.
Alex R. N. MacAusland(3) Alberta, Canada	President, Chief Executive Officer and Director	December 8, 2009	Mr. MacAusland is the President and CEO of Western. From December 2009 to December 2013, Mr. MacAusland was the President and COO of Western. From February 2008 to December 2009, Mr. MacAusland was the President and CEO of Horizon Drilling Inc. From 2006 to 2008, Mr. MacAusland was the Senior Vice President of IROC Energy Services Corp.
Jeffrey K. Bowers Alberta, Canada	Senior Vice President Finance and Chief Financial Officer	December 8, 2009	Mr. Bowers is the Senior Vice President Finance and Chief Financial Officer of Western. From April 2008 to December 2009, Mr. Bowers was the Vice President Finance and CFO with Horizon Drilling Inc. Previously, Mr. Bowers was the Chief Financial Officer at FracSource Inc. from 2005 to 2008 prior to its divestiture.

Name and Place of Residence	Position with Western	Director or Officer of Western Since	Principal Occupation and Positions for the Past Five Years
Rick M. Harrison Alberta, Canada	Senior Vice President Operations	May 1, 2013	Mr. Harrison is the Senior Vice President Operations of Western. Prior to this appointment, Mr. Harrison was the VP Operations and Services from November 2012 to May 2013 and the VP Manufacturing and Capital Projects from March 2011 to November 2012 for Western. Prior to joining Western, Mr. Harrison was the General Manager of Care Industries Ltd. from February 2009 to March 2011.
David G. Trann Alberta, Canada	Vice President Finance	May 1, 2013	Mr. Trann is the Vice President Finance of Western. Prior to this appointment, Mr. Trann was the Corporate Controller of Western from July 2011 to April 2013. From February 2010 to July 2011, Mr. Trann was the Manager Corporate Reporting for Western. From August 2008 to January 2010, Mr. Trann was the Supervisor, Corporate Reporting with Harvest Energy Trust
Tim J. Sebastian Alberta, Canada	Vice President, General Counsel and Corporate Secretary	May 21, 2013	Mr. Sebastian is the Vice President, General Counsel and Corporate Secretary of Western. Prior to joining Western, Mr. Sebastian was the Vice President Corporate Development, General Counsel and Corporate Secretary of IROC Energy Services Corp. from January 2008 to April 2013.
Darcy D. Reinboldt Alberta, Canada	Senior Vice President Operations	December 18, 2013	Mr. Reinboldt is the Senior Vice President, Operations. Prior to joining Western, Mr. Reinboldt was the Executive Vice President of the USA Northern Operations for Trinidad Drilling Ltd. from August, 2011 to October, 2013. Prior thereto, Mr. Reinboldt was the Senior Vice President of Operational Support at Trinidad Drilling Ltd. from March, 2008 to August, 2011.
Jeff A. Vathje Alberta, Canada	Vice President Human Resources	February 3, 2014	Mr. Vathje is the Vice President Human Resources of Western. Prior to joining Western, Mr. Vathje was the Principal at JVHR consulting from August 2013 to January 2014. From January 2012 to August 2013, Mr. Vathje was the Manager HR Programs and Services at Enerplus Corporation. From April 2008 to December 2011, Mr. Vathje was a Senior Consultant at Aon Hewitt Associates.

Name and Place of Residence	Position with Western	Director or Officer of Western Since	Principal Occupation and Positions for the Past Five Years
Steven MacNabb Alberta, Canada	Vice President Health, Safety and Environment	May 4, 2014	Mr. MacNabb is the Vice President, Health, Safety and Environment. Prior to joining Western, Mr. MacNabb was the Corporate Risk Management Manager for IROC Energy Services Partnership from February 2006 until June 2010 . Preceding his tenure at IROC, Mr. MacNabb was Corporate HSE Manager – Canada at National Oilwell Varco from 2002 to February 2006.
Peter Balkwill Alberta, Canada	Vice President, Operations Finance	April 6, 2015	Mr. Balkwill is the Vice President, Operations Finance. Prior to joining Western Mr. Balkwill was the Vice President, Finance and Chief Financial Officer of Calmena Energy Services Inc. from January, 2010 to February, 2015. Prior to joining Calmena, Mr. Balkwill worked for three years with an international drilling company focused in Canada, US, and Latin America, first as Vice President Operations Finance and thereafter as Vice President Finance.

Notes
(1) Member of the Audit Committee.
(2) Member of the Corporate Governance and Compensation Committee.
(3) Member of the Health, Safety and Environment Committee.

As at February 25, 2016, the current officers and directors of Western, as a group, beneficially own or control, directly and indirectly, an aggregate of 10,498,536 Common Shares, being approximately 14.3% of the outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

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

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

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

Bankruptcies

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

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

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

Ronald P. Mathison indirectly holds a controlling interest in Riverside Quays Limited Partnership ("RQLP"), a private Alberta limited partnership involved in the construction and sale of a 700-unit condominium project in Calgary, Alberta. Mr. Mathison is a director of Statesman Riverside Quays Ltd. ("SRQL"), the former general partner of RQLP. SRQL, without Mr. Mathison's authorization or approval, caused RQLP to default on its loan obligations to its lender and, on December 15, 2010, the lender obtained a court order appointing a receiver of SRQL and RQLP. Mr. Mathison subsequently arranged for the full payout of the loan to RQLP's lender and for the appointment of a new general partner of RQLP. The receiver of SRQL and RQLP was discharged, save for certain oversight and minor administrative duties, in December 2011.

Peter Balkwill was the Chief Financial Officer of Calmena Energy Services Inc. ("Calmena") when, on January 20, 2015, Calmena's senior lender was granted a receivership order by the Court of Queen's Bench of Alberta.

Penalties or Sanctions

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

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

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

Conflicts of Interest

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

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Audit Committee is responsible for reviewing the Corporation's financial reporting procedures, internal controls and the performance of the external auditors. The Audit Committee Charter of Western is set forth as Appendix "A" of this Annual Information Form.

Composition of the Audit Committee

The current members of the Audit Committee are Lorne A. Gartner (Chairman), Donald D. Copeland, and Ronald P. Mathison. The Audit Committee is a standing committee appointed by the Board of Directors of Western to assist the Board of Western in fulfilling its oversight responsibilities with respect to the financial reporting by the Corporation. Each member of the Audit Committee is independent as defined under NI 52-110 and none received any compensation, directly or indirectly, from Western other than for services as a member of the Board of Western and its committees, as applicable. All members of the Audit Committee are financially literate as defined in NI 52-110.

Relevant Education and Experience of Members of the Audit Committee

Lorne A. Gartner (Chairman)

Mr. Gartner is an independent businessman. From May of 2000 until March of 2006 he was the Managing Director of Royal Bank of Canada Capital Markets based out of Houston, Texas. In this position, Mr. Gartner was responsible for overseeing the bank's United States energy portfolio. Prior to that time, he was a Vice President of Royal Bank of Canada, Calgary Energy Group. Mr. Gartner has over 38 years of banking experience in Canada with an excess of 20 years of experience in energy banking, and has a Bachelor of Commerce Degree from the University of Alberta with a specialization in finance.

Donald D. Copeland

Mr. Copeland is an independent businessman. Mr. Copeland was the Chairman of Stoneham Administration Inc. and administrator of Stoneham Drilling Trust from June 4, 2008 to June 17, 2011. Prior thereto Mr. Copeland was the Executive Chairman of Upper Lake Oil and Gas Ltd. from October 2007 to August 2008. Prior thereto, Mr. Copeland was Chairman and Chief Executive Officer of Diamond Tree Energy Ltd. and its predecessor from May 2001 to October 2007. Mr. Copeland is a graduate of the Director's Education Program sponsored by the Institute of Corporate Directors.

Ronald P. Mathison

Mr. Mathison is President and Chief Executive Officer of Matco Investment Ltd. and Matco Capital Ltd., private investment firms which specialize in providing capital and management expertise to companies in which they have an interest. Mr. Mathison has extensive experience in restructuring and financing corporations in both the public and private markets. Mr. Mathison is one of the founders of Calfrac Well Services Ltd. and has served on Calfrac's Board of Directors and as Chairman since 1999. Mr. Mathison is also a founder, a director and Chairman of Tesla Exploration Ltd. Until October 2000, Mr. Mathison was a director and principal of Peters & Co. Limited, an investment firm specializing in the oil and natural gas industry. Prior thereto, Mr. Mathison and two other individuals formed the nucleus of Peters & Co. Capital, a private merchant banking entity that is widely associated with numerous restructurings of E&P companies and oilfield services companies. Mr. Mathison received a B.Comm. (Honours) from the University of Manitoba in 1979 and obtained his Chartered Accountant designation in 1982. Mr. Mathison also holds the designation of Chartered Business Valuator, obtained in 1989, and of Chartered Financial Analyst, obtained in 1990.

Audit Committee Oversight

At no time since the commencement of Western's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee has delegated to the Chairman of the Audit Committee (or such other member of the Audit Committee who may be delegated authority), the authority to act on behalf of the Audit Committee between meetings of the Audit Committee with respect to the pre-approval of audit and permitted non-audited services provided by Deloitte LLP. The Audit Committee is required to be notified of any non-approved services over and above audit and tax. The Chairman reports on any such pre-approval at the next meeting of the Audit Committee.

Auditor Service Fees

Deloitte LLP was appointed as auditors of Western by the Board of Directors effective January 10, 2010. Fees paid to Deloitte LLP for the last two fiscal years are detailed in the following table:

Type of Service Provided	2015 ($)	2014 ($)
Audit fees (including quarterly reviews)(1)	320,679	356,310
Audit-related fees (2)	50,465	-
Tax fees (3)	31,585	16,050
All other fees (4)	2,675	8,560
TOTAL	**405,404**	**380,920**

Notes:

(1) Audit fees were paid for professional services rendered by the auditors for the audit or review of the Corporation's annual and interim financial statements.

(2) Audit-related fees were paid for assurance and related services related to securities filings other than the audit or review of the annual and interim financial statements.

(3) Tax fees were paid for professional services relating to tax advice and tax planning.

(4) All other fees relate to fees payable for products or services other than the audit fees, audit-related fees and tax fees described above.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

TRANSFER AGENT AND REGISTRAR OF THE CORPORATION

Computershare Trust Company of Canada, 600, 530 – 8th Avenue SW, Calgary Alberta, T2P 3S8, is the transfer agent and registrar of the Common Shares.

INTERESTS OF EXPERTS

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Western is not a party to any legal proceeding nor was it a party to, nor is or was any of its property the subject of any legal proceeding, during the financial year ended December 31, 2015, nor is Western aware of any such contemplated legal proceedings, which involve a claim for damages exclusive of interest and costs that may exceed 10% of the current assets of Western.

During the year ended December 31, 2015, there were no: (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority.

ADDITIONAL INFORMATION

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

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Common Shares and securities authorized for issuance under equity compensation plans, is contained in the Corporation's Management Information Circular for the most recent annual meeting of shareholders that involved the election of directors of Western. Additional financial information is provided for in the Corporation's financial statements and management's discussion and analysis for the years ended December 31, 2015 and 2014.

APPENDIX 'A' – AUDIT COMMITTEE CHARTER

WESTERN ENERGY SERVICES CORP. (the "CORPORATION") AUDIT COMMITTEE CHARTER

Purpose

1. The purpose of the Audit Committee (the "**Committee**") is to:

   (a) review and recommend to the Board for acceptance, prior to their public release, all material financial information required to be gathered and disclosed to the public by the Corporation;

   (b) oversee management designed and implemented accounting systems and internal controls; and

   (c) recommend to the Board of Directors, engage and arrange for the compensation of the external auditor to the Corporation.

Composition

2. The Corporation, as a reporting issuer, must have a Committee that complies with National Instrument 52-110 ("**NI 52-110**"). The Committee must be comprised of at least three members of the Board to serve at the pleasure of the Board. Each member will at all times be independent and financially literate as those terms are defined in NI 52-110.

Meetings

3. The Committee is required to meet in person, or by telephone conference call, at least once each quarter and as often thereafter as required to discharge the duties of the Committee.

4. The Chair of the Committee appointed by the Board will, in consultation with management, establish the agenda for meetings.

5. A quorum for a meeting of the Committee shall be a majority of members present in person or by telephone conference call.

6. Notice of the time and place of every meeting shall be given in writing, by email or facsimile to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided that a member may in any manner waive a notice of meeting.

Responsibilities of the Committee

7. The Committee's primary responsibilities are to:

   (a) have a written charter that sets out its mandate and responsibilities;

   (b) be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of any disagreements between management and the external auditor regarding financial reporting;

(c) monitor the management of the principal risks that could impact the financial reporting of the Corporation;

(d) monitor the integrity of the Corporation’s financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

(e) provide an avenue of communication among the external auditors, management and the Board; and

(f) ensure that the external auditor reports directly to the Committee.

Authority of the Committee

8. The Committee must have the authority to:

(a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;

(b) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(c) set and instruct the Corporation to pay the compensation for any advisors employed by the Committee;

(d) communicate directly with the internal and external auditors of the Corporation;

(e) annually recommend to the Board the appointment of the external auditor, and their compensation;

(f) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors', or the external auditors of the Corporation's subsidiary entities and the Committee may delegate to one or more independent members, the authority to pre-approve non-audit services which must then be presented to the Committee at its first scheduled meeting following such pre-approval; and

(g) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the Change of Auditor Notice called for by National Instrument 51-102 and as required by other applicable securities regulation, and the planned steps for an orderly transition period.

9. The Committee must establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

10. The Committee must review and approve the hiring of any partners, employees and former partners and employees of the present and former external auditors.

11. The Committee shall:

(a) review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities;

(b) review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process;

(c) establish a periodic review procedure to ensure that the external auditor complies with the Canadian Public Accountability Regime under National Instrument 52-108 – *Auditor Oversight*;

(d) inquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Committee by any member of the Board, a shareholder of the Corporation, the external auditors, or senior management;

(e) review the audit plan with the Corporation's external auditors and with management;

(f) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;

(g) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;

(h) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

(i) review audited annual financial statements and related documents in conjunction with the report of the external auditors;

(j) review the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases and with financial management and the external auditors before release to the public;

(k) be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and must periodically assess the adequacy of such procedures;

(l) at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate; and

(m) assess, on an annual basis, the adequacy of this Charter.