Western Energy Services Corp.

Condensed Consolidated Financial Statements

March 31, 2011 and 2010

(Unaudited)

Western Energy Services Corp.

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

	Note	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash and cash equivalents		$ 47,676	$ 3,475	$ 2,386
Trade and other receivables	7	44,846	31,221	1,022
Inventories		428	463	313
Prepaid expenses and other current assets		1,668	1,439	175
Assets of discontinued operations	20	-	38	1,012
		94,618	36,636	4,908
Non current assets				
Property and equipment	8	203,319	194,739	5,464
Goodwill		29,117	29,117	-
Deferred taxes		2,032	3,586	-
Assets of discontinued operations	20	28	28	1,897
		$ 329,114	$ 264,106	$ 12,269
Liabilities				
Current liabilities				
Trade payables and other current liabilities	9	$ 18,904	$ 22,155	$ 2,552
Current portion of provisions		275	315	-
Current portion of long term debt	10	473	536	28
Liabilities of discontinued operations	20	514	476	1,520
		20,166	23,482	4,100
Non current liabilities				
Provisions		313	353	-
Long term debt	10	28,030	46,061	44
Deferred taxes		11,287	7,377	-
Liabilities of discontinued operations	20	-	-	48
		59,796	77,273	4,192
Shareholders' equity				
Share capital	11	230,816	159,895	8,253
Contributed surplus		2,563	2,359	1,835
Retained earnings (deficit)		35,923	24,579	(2,011)
Accumulated other comprehensive income		16	-	-
		269,318	186,833	8,077
		$ 329,114	$ 264,106	$ 12,269

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

Western Energy Services Corp.

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

	Note	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenue		$ 55,385	$ 4,318
Operating expenses		36,655	3,482
Gross profit		18,730	836
Administrative expenses		3,205	729
Finance costs	14	562	91
Other items	15	(937)	108
Other income-gain on business acquisitions		-	(11,624)
Income from continuing operations before taxes		15,900	11,532
Income taxes	16	4,384	2
Net income from continuing operations	17	11,516	11,530
Net loss from discontinued operations (net of tax)	20	(172)	(431)
Net income		11,344	11,099
Change in fair value of available for sale assets (net of tax)		16	-
Comprehensive income (attributable to common shareholders of the Company)		$ 11,360	$ 11,099
Net income per share from continuing operations:			
Basic		$ 0.02	$ 0.06
Diluted		$ 0.01	$ 0.05
Net loss per share from discontinued operations:			
Basic		$ -	$ -
Diluted		$ -	$ -
Net income per share:			
Basic		$ 0.01	$ 0.06
Diluted		$ 0.01	$ 0.05
Weighted average number of shares:			
Basic		760,035,549	193,556,748
Diluted		798,656,233	233,859,633

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

Western Energy Services Corp.

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

Attributable to common shareholders of the Company:

	Note	Share capital	Contributed surplus [1]	Retained earnings/ (deficit)	Accumulated other comprehensive income	Total shareholders' equity
Balance at January 1, 2010		$ 8,253	$ 1,835	$ (2,011)	$ -	$ 8,077
Issue of common shares	11	76,951	-	-	-	76,951
Stock based compensation	12	-	16	-	-	16
Net income for the period		-	-	11,099	-	11,099
Balance at March 31, 2010		$ 85,204	$ 1,851	$ 9,088	$ -	$ 96,143
Issue of common shares	11	74,691	-	-	-	74,691
Stock based compensation	12	-	508	-	-	508
Net income for the period		-	-	15,491	-	15,491
Balance at December 31, 2010		$ 159,895	$ 2,359	$ 24,579	$ -	$ 186,833
Issue of common shares	11	70,921	-	-	-	70,921
Stock based compensation	12	-	204	-	-	204
Net income for the period				11,344		11,344
Change in fair value of equity investments		-	-	-	16	16
Balance at March 31, 2011		$ 230,816	$ 2,563	$ 35,923	$ 16	$ 269,318

(1) Contributed surplus relates to Western's stock based compensation decribed in Note 12.

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

Western Energy Services Corp.

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

	Note	Three months ended March 31, 2011	Three months ended March 31, 2010
Operating Activities			
Net income from continuing operations		$ 11,516	$ 11,530
Adjustments for:			
Depreciation included in operating expenses		4,925	419
Depreciation included in administrative expenses		64	6
Stock based compensation included in operating expenses		61	3
Stock based compensation included in administrative expenses		142	13
(Gain) loss on sale of assets		(1,157)	12
Income taxes	16	4,384	2
Gain on business acquisitions		-	(11,624)
Unrealized foreign exchange loss (gain)		33	(73)
Finance costs		562	91
Other		(106)	-
Cash generated from operating activities		20,424	379
Taxes paid		(98)	-
Change in non-cash working capital		(10,617)	(587)
Continuing operations		9,709	(208)
Discontinued operations		(95)	8
Cash flow from operating activities		9,614	(200)
Investing activities			
Additions to property and equipment		(15,021)	(59)
Proceeds on sale of property and equipment		2,609	1,485
Business acquisitions		-	(35,790)
Investments		(374)	-
Changes in non-cash working capital		(4,998)	134
Continuing operations		(17,784)	(34,230)
Discontinued operations		-	1,310
Cash flow from investing activities		(17,784)	(32,920)
Financing activities			
Issue of common shares	11	75,075	75,000
Share issue costs	11	(4,154)	(4,205)
Payment of long term debt		(18,094)	(3,474)
Finance costs paid		(504)	(154)
Change in non-cash working capital		48	370
Continuing operations		52,371	67,537
Discontinued operations		-	(292)
Cash flow from financing activities		52,371	67,245
Increase in cash and cash equivalents		$ 44,201	$ 34,125
Cash and cash equivalents, beginning of period		$ 3,475	$ 2,386
Cash and cash equivalents, end of period		$ 47,676	$ 36,511
Cash and cash equivalents:			
Bank accounts		$ 47,676	$ 17,513
Term deposits		-	18,998
		$ 47,676	$ 36,511

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

1. Reporting entity:

Western Energy Services Corp. ("Western") is a company domiciled in Canada. The address of the registered office is 900, 606 – 4th Street SW, Calgary, Alberta. Western is a publicly traded company listed on the TSX Venture Exchange under the symbol "WRG". These condensed consolidated financial statements ("Financial Statements") as at and for the three months ended March 31, 2011 and 2010, are comprised of Western and its wholly owned subsidiaries (together referred to as the "Company"). The Company operates in the oilfield service industry in two segments: contract drilling and production services. Operations in the contract drilling segment are conducted through Western's wholly owned subsidiary Horizon Drilling Inc. ("Horizon"), which was acquired on March 18, 2010. Operations in the production services segment are conducted through Western's wholly owned subsidiary Stimsol Canada Inc. ("Stimsol") (see Note 6).

2. Basis of preparation:

(a) Statement of compliance:

International Financial Reporting Standards ("IFRS") require an entity adopting IFRS, in its first annual financial statements under IFRS, to make an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2011 annual financial statements. These Financial Statements have been prepared using accounting policies consistent with IFRS and in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board and using the accounting policies the Company expects to adopt in its consolidated financial statements for the year ending December 31, 2011. The Company applied IFRS 1, First-time Adoption of International Financial Reporting Standards, as at January 1, 2010. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 22.

Previously, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS and require publicly accountable enterprises, such as Western, to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these Financial Statements. In these Financial Statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. Canadian GAAP differs in some areas from IFRS. In preparing these Financial Statements, management has amended certain accounting and measurements which were previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Note 22 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, net income and comprehensive income, along with line-by-line reconciliations of the statement of operations and comprehensive income and balance sheet for the year ended December 31, 2010 as well as the interim periods relevant to the computation of these Financial Statements.

These Financial Statements should be read in conjunction with the Company's 2010 audited annual consolidated financial statements and in consideration of the IFRS transition disclosures included in Note 22 to these Financial Statements.

In preparation of these Financial Statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity and areas where assumptions and estimates are significant to these Financial Statements are disclosed in Note 4.

These Financial Statements were approved for issuance by the Board of Directors on June 15, 2011.

2. Basis of preparation (continued):

(b) Basis of measurement:
These Financial Statements have been prepared on the historical cost basis except for the following items in the balance sheet:

(i) derivative financial instruments are measured at fair value;

(ii) financial instruments at fair value through profit or loss are measured at fair value; and

(iii) financial instruments classified as available for sale are measured at fair value.

(c) Functional and presentation currency:
These Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

3. Significant accounting policies:

The significant accounting policies set out below have been applied consistently to all periods presented in these Financial Statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Basis of consolidation:
These Financial Statements include the accounts of Western and its subsidiaries, which are entities over which Western has control. Control exists when Western has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Western. When Western ceases to control a subsidiary, the financial statements of that subsidiary are de-consolidated.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing these Financial Statements.

(b) Foreign currency transactions and operations:
Transactions in foreign currencies are translated to the respective functional currencies of Western and its subsidiaries at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate in effect on the balance sheet date with any resulting foreign exchange gain or loss recognized in net income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate in effect on the date of the transaction. Foreign currency gains and losses on transactions are reported on a net basis and recognized in other items within net income.

The Company does not currently have a foreign operation with a functional currency that is different from Canadian dollars.

(c) Business combinations:
The Company uses the acquisition method to account for business acquisitions. The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a gain on acquisition is recognized immediately in net income.

Goodwill is allocated as of the date of the business combination to the Company's reporting segments that are expected to benefit from the business combination and represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which can be no higher than the operating segment level. Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is measured at cost less accumulated impairment losses.

3. Significant accounting policies (continued):

(c) Business combinations (continued):

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

(d) Financial instruments:

Recognition and measurement:

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as “financial asset or financial liability at fair value through profit or loss”, “available-for-sale financial assets”, “held-to-maturity investments”, “loans and receivables”, or “other financial liabilities”.

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

Financial assets at fair value through profit or loss

Cash is held for trading within the fair value through profit or loss category. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company’s trade and other receivables are categorized as loans and receivables.

Available for sale:

From time to time, the Company may have certain equity investments in publically traded entities. Investments that have a quoted price in an active market are measured at fair value with changes in fair value recognized in other comprehensive income. When the investment is ultimately sold, any gains or losses are recognized in the net income and any unrealized gains or losses previously recognized in other comprehensive income are reversed.

The Company has the following non-derivative financial liabilities:

Other financial liabilities:

Trade and other payables, finance lease obligations, revolving credit facilities and long-term debt are classified as “other financial liabilities”. Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Transaction costs incurred with respect to the revolving credit facilities are deferred and amortized using the straight-line method over the term of the facility. The asset is recognized in other current assets on the balance sheet while the amortization is included in finance costs within net income.

3. Significant accounting policies (continued):

(d) Financial instruments (continued):

Derivative financial instruments:

From time to time, the Company may hold derivative financial instruments to mitigate its foreign currency risk exposures. Derivatives are measured at fair value and changes therein are recognized in net income. Directly attributable transaction costs are recognized in net income as incurred. The Company has entered into forward foreign currency derivative contracts which are classified as "fair value through profit or loss" and are measured at fair value. Any change in fair value is recorded through net income

Equity instruments:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(e) Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and short term investments with original maturities of three months or less.

(f) Property and equipment:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for its intended use and borrowing costs on qualifying assets.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are included in the cost of those assets, until such time as the assets are substantially available for their intended use. All other borrowing costs are recognized in net income in the period which they are incurred.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. Costs associated with certifications and respective overhauls of the drilling rigs are capitalized and depreciated over the anticipated period between certifications. The carrying amount of the replaced part, previous certification or overhaul is derecognized. The costs of the day-to-day servicing of property and equipment (repairs and maintenance) are recognized in net income as incurred.

Depreciation is calculated based on the cost of the asset, less its residual value.

Depreciation is recognized in net income either on a unit of production or straight-line basis over the estimated useful lives of each class of assets. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case, the estimated useful life of the asset is used. Land is not depreciated.

3. Significant accounting policies (continued):

(f) Property and equipment (continued):

The estimated useful lives for the current and comparative periods are as follows:

	Expected life	**Depreciation method**
Building	25 years	Straight-line
Drilling rigs and related equipment:		
Drilling rigs	1600 to 5000 drilling operating days	Unit-of-production
Drill pipe and drill collars	1600 drilling operating days	Unit-of-production
Major inspections and overhauls	1000 drilling operating days	Unit-of-production
Ancillary drilling equipment	5 to 10 years	Straight-line
Production service equipment	5 to 10 years	Straight-line
Shop and office equipment	1 to 5 years	Straight-line
Vehicles	3 years	Straight-line

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if appropriate.

An item of property and equipment is derecognized when it is either disposed of or when it is determined that no further economic benefit is expected from the item's expected use or disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in other items within net income.

(g) Intangible assets:

Intangible assets include the separate identifiable intangible assets that have been acquired by the Company through business combinations and have finite useful lives. These assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in net income on a straight-line basis over the estimated useful life of the intangible asset from the date it is available for use. Amortization methods, useful lives and residual values of intangible assets are reviewed at least annually and adjusted if appropriate.

An intangible asset is derecognized when it is either disposed of or when it is determined that no further economic benefit is expected from the item's expected use or disposal. Gains and losses on disposal of an intangible asset are determined by comparing the proceeds from disposal with the carrying amount of the intangible asset, and are recognized in other items within net income.

(h) Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the average cost method, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Impairment write downs are reversed if there has been a change in the estimates used to determine the recoverable amount and the decrease in impairment write down can be objectively related to an event occurring after the impairment was recognized.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

(i) Impairment:

(i) Financial assets:

Financial asset are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

3. Significant accounting policies (continued):

(i) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is an indication of impairment. If an indication exists, then the asset's carrying amount is assessed for impairment. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time, unless there is an indication of impairment.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the business combination.

An impairment loss is recognized in net income if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and the decrease in impairment loss can be objectively related to an event occurring after the impairment was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Such reversal is recognized in net income.

(j) Employee benefits:

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Stock based compensation awards:

The grant date fair value of stock based compensation awards granted to employees are recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the expected number of awards that will meet the related service and non-market performance conditions at the vesting date.

(k) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost within net income.

3. Significant accounting policies (continued):

(l) Revenue:

(i) Services:
The Company's services for both contract drilling and production services are generally sold based upon service orders or contracts with customers that include fixed or determinable prices based upon daily, hourly or job rates and recoverable costs. Revenue is recognized when there is persuasive evidence that an arrangement exists, the service has been provided, the rate is fixed or determinable, and the collection of the amounts billed to the customer is reasonably assured. The Company considers persuasive evidence to exist when a formal contract is signed or customer acceptance is obtained. Contract terms do not include a provision for significant post-service delivery obligations. Revenue from contracts of long or medium terms are recorded using the percentage-of-completion method, as services are provided, and collection is reasonably assured.

(ii) Product Sales:
For product sales in the production services segment, revenue is recognized when there is persuasive evidence that an arrangement exists, the goods have been delivered and title transfers to the customer, the customer assumes risk and rewards of ownership, and collection from the customer is reasonably assured.

(m) Leased assets and payments:
At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. Leases which result in the Company assuming substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments under the finance lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance expense and the reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases that are determined not to be finance leases are considered operating leases. Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease. Lease inducements received are recognized as a reduction to the total lease expense, over the term of the lease.

(n) Finance income and finance costs:
Finance income comprises interest income on cash and cash equivalent balances. Interest income is recognized as it accrues in the statement of operation.

Finance costs comprise interest expense on borrowings, costs associated with securing debt facilities, and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income when incurred.

(o) Income tax:
Income tax expense is comprised of current and deferred income taxes. Income tax is recognized in the consolidated statement of operations and comprehensive income except to the extent that it relates to items recognized in equity on the consolidated balance sheet.

Current income tax is calculated using tax rates which are enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions on the basis of amounts expected to be paid to taxation authorities.

Deferred income taxes are recognized, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes are determined using tax rates which are enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

3. Significant accounting policies (continued):

(o) Income tax (continued):
Deferred tax liabilities are generally for all taxable temporary differences, except for temporary differences that arise from goodwill which is not deductible for tax purposes. Deferred tax liabilities are also recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible balances can be utilized. All deferred tax assets are analyzed at each reporting period and reduced to the extent that it is no longer probable that the asset will be recovered. Deferred tax assets and liabilities are not recognized with respect to temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

(p) Earnings per share:
The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the net income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net income or loss attributable to owners and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, which comprise in-the-money stock options and warrants granted. Diluted EPS is calculated using the treasury stock method where the deemed proceeds of the exercise of options or warrants and the average unrecognized stock based compensation expense are considered to be used to reacquire common shares at an average share price for the period. The average market value of the Company’s shares for purposes of calculating the dilutive effect of stock options is based on quoted market prices for the period during which the options were outstanding.

(q) Segment reporting:
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. All operating segments’ results are reviewed regularly by the Company’s Chief Executive Officer (“CEO”) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

(r) New standards and interpretations not yet adopted:
A number of new standards, amendments to standards and interpretations are not yet effective for the period ended March 31, 2011, and have not been applied in preparing these Financial Statements.

A summary of new standards that have not been adopted which may impact the Company in the future are as follows:

- Amendments to IFRS 7 Financial Instruments: Disclosures were issued in October 2010. Those amendments improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after 1 July 2011, with earlier application permitted. The Company is assessing the effect of the changes to IAS 12 on its financial statement disclosures.

- Amendment to IAS 12 Income Taxes, deferred taxes, and recovery of underlying assets. The amendment is effective for annual periods beginning on or after 1 January 2012, with earlier application permitted. The Company is assessing the effect of the changes to IAS 12 on its financial results and financial position.

3. Significant accounting policies (continued):

(r) New standards and interpretations not yet adopted (continued):

- IFRS 9 Financial Instruments was issued in November 2009. The standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of an entity's own credit risk. The Company is assessing the effect of IFRS 9 on its financial results and financial position; however any changes are not expected to be material.

- IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation—Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 10 on its financial results and financial position.

- IFRS 11, Joint Arrangements, establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 11 on its financial results and financial position.

- IFRS 12, Disclosure of Interests in Other Entities, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 12 on its financial statement disclosures.

- IFRS 13, Fair Value Measurements, defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 13 on its financial results and financial position.

4. Critical accounting judgements and key sources of estimation uncertainty:

The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies (described in Note 3) and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty:
A number of the Company's accounting policies and disclosures require key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or disclosures within the next financial year. Where applicable, further information about the assumptions made is disclosed in the notes specific to that asset or liability.

4. Critical accounting judgements and key sources of estimation uncertainty (continued):

(a) Impairment

An evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist. Factors which could indicate impairment exists include: significant underperformance of an asset relative to historical or projected operating results, significant changes in the manner in which an asset is used or in the Company's overall business strategy, or significant negative industry or economic trends. In some cases, these events are clear. However, in many cases, a clearly identifiable event indicating possible impairment does not occur. Instead, a series of individually insignificant events occur over a period of time leading to an indication that an asset may be impaired. Events can occur in these situations that may not be known until a date subsequent to their occurrence. Management continually monitors the Company's segments, the markets, and the business environment, and makes judgements and assessments about conditions and events in order to conclude whether a possible impairment exists.

Property and equipment:
The fair value of property and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of equipment is based on market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

The value in use calculation associated with property and equipment used for impairment assessments involves significant estimates and assumptions, including those associated with future cash flows of the CGU, discount rates and asset useful lives.

Goodwill:
Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

(b) Property and equipment

Property and equipment are depreciated over their estimated useful lives as determined by management. All estimates of useful lives are set out in Note 3 (f).

(c) Income taxes

Preparation of the Financial Statements involves determining an estimate of, or provision for, income taxes in each of the jurisdictions in which the Company operates. The process also involves making an estimate of taxes currently payable and taxes expected to be payable or recoverable in future periods, referred to as deferred income taxes. Deferred taxes result from the effects of temporary differences due to items that are treated differently for tax and accounting purposes. The tax effects of these differences are reflected in the condensed consolidated balance sheet as deferred tax assets and liabilities. An assessment must also be made to determine the likelihood that the Company's future taxable income will be sufficient to permit the recovery of deferred income tax assets. To the extent that such recovery is not probable, recognized deferred income tax assets must be reduced. Judgement is required in determining the provision for income taxes and recognition of deferred tax assets and liabilities. Management must also exercise judgement in its assessment of continually changing tax interpretations, regulations and legislation, to ensure deferred income tax assets and liabilities are complete and fairly presented. The effects of differing assessments and applications could be material.

(d) Stock based compensation awards:

The fair value of employee stock options is measured using a Black Scholes option pricing model. Measurement inputs include the share price on the grant date, the exercise price of the instrument, the expected volatility, the weighted average expected life of the instruments, the expected dividends, and the risk-free interest rate. Service and non-market performance conditions are not taken into account in determining fair value. The stock based compensation expense recognized is also determined based on management's grant date estimate of the forfeitures that are expect to occur over the life of the stock options.

4. Critical accounting judgements and key sources of estimation uncertainty (continued):

(e) Derivatives:
The fair value of forward foreign exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on the Government of Canada bond rate).

Fair values reflect the credit risk of the instrument including adjustments reflecting the credit risk of the Company and counterparty when appropriate.

(f) Non-derivative financial liabilities:
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Seasonality

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

6. Operating segments:

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different services at different stages of the exploration and production process in the oil and gas industry, and are managed separately as a result. Subsequent to the discontinuation of the United States and International geographic operations in 2010, the Company only operates in Canada. For each of the strategic business units, the Company's CEO reviews internal management reports on at least a monthly basis.

The following summary describes the operations in each of the Company's reportable segments:

- Contract drilling includes drilling rigs along with related auxiliary equipment and provides contract drilling services to oil and natural gas exploration and production companies.
- Production services include various oilfield services relating to stimulation and fluid pumping, nitrogen services, specialty solvents and laboratory services. Production services also include the sale of nitrogen and chemical products.

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

6. Operating segments (continued):

Information about reportable segments:

Three months ended March 31, 2011	Contract Drilling	Production Services	Corporate	Total
Continuing Operations:				
Revenue	$ 50,093	$ 5,292	$ -	$ 55,385
Segment profit (loss)	15,292	1,640	(1,204)	15,728
Finance costs	(46)	-	608	562
Depreciation	4,802	152	35	4,989
Expenditures on capital items	$ 14,933	$ 82	$ 6	$ 15,021

Three months ended March 31, 2010	Contract Drilling [(1)]	Production Services	Corporate	Total
Continuing Operations:				
Revenue	$ 1,789	$ 2,529	$ -	$ 4,318
Segment profit (loss)	121	511	(509)	123
Finance costs	89	3	(1)	91
Depreciation	239	186	-	425
Expenditures on capital items	$ 36	$ 22	$ 1	$ 59

[(1)] Contract drilling segment acquired March 18, 2010.

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

As at March 31, 2011	Contract Drilling	Production Services	Corporate	Total
Total assets	$ 269,908	$ 13,045	$ 46,133	$ 329,086
Total liabilities	$ 28,913	$ 1,418	$ 28,951	$ 59,282

As at December 31, 2010	Contract Drilling	Production Services	Corporate	Total
Total assets	$ 249,110	$ 13,331	$ 1,599	$ 264,040
Total liabilities	$ 26,723	$ 1,353	$ 48,721	$ 76,797

As at January 1, 2010	Contract Drilling	Production Services	Corporate	Total
Total assets	$ -	$ 9,159	$ 201	$ 9,360
Total liabilities	$ -	$ 635	$ 1,989	$ 2,624

6. Operating segments (continued):

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

	Three months ended March 31 2011	Three months ended March 31 2010
Continuing operations:		
Segment profit	$ 15,728	
Add (deduct):		
Stock based compensation	(203)	(16)
Finance costs	(562)	(91)
Other gains/(expenses)	937	(108)
Other income-gain on business acquisition	-	11,624
Income from continuing operations before taxes	$ 15,900	$ 11,532

7. Trade and other receivables:

	March 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	$ 40,809	$ 29,647	$ 1,038
Accrued trade receivables	1,958	798	
Other receivables	2,100	876	118
Allowance for doubtful accounts	(21)	(100)	(134)
Total	$ 44,846	$ 31,221	$ 1,022

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in Note 18.

8. Property and equipment:

	Land	Buildings	Drilling rigs and related equipment	Production service equipment	Shop and office equipment	Vehicles under finance leases	Total
Cost or deemed cost:							
Balance at January 1, 2010	$ -	$ -	$ -	$ 5,379	$ 61	$ 62	$ 5,502
Acquisitions: business combinations	374	1,279	174,449	-	132	182	176,416
Additions	560	62	20,585	2,955	485	472	25,119
Disposals	-	-	(3,057)	(2,024)	-	-	(5,081)
Balance at December 31, 2010	$ 934	$ 1,341	$ 191,977	$ 6,310	$ 678	$ 716	$ 201,956
Balance at January 1, 2011	$ 934	$ 1,341	$ 191,977	$ 6,310	$ 678	$ 716	$ 201,956
Acquisitions: business combinations	-	-	-	-	-	-	-
Additions	-	-	14,815	54	143	8	15,020
Disposals	-	-	(1,618)	(200)	-	-	(1,818)
Balance at March 31, 2011	$ 934	$ 1,341	$ 205,174	$ 6,164	$ 821	$ 724	$ 215,158
Depreciation and impairment losses:							
Balance at January 1, 2010	$ -	$ -	$ -	$ 36	$ 2	$ -	$ 38
Depreciation for the year	-	49	6,293	861	185	70	7,458
Disposals	-	-	(35)	(244)	-	-	(279)
Balance at December 31, 2010	$ -	$ 49	$ 6,258	$ 653	$ 187	$ 70	$ 7,217
Balance at January 1, 2011	$ -	$ 49	$ 6,258	$ 653	$ 187	$ 70	$ 7,217
Depreciation for the period	-	16	4,742	128	70	33	4,989
Disposals	-	-	(367)	-	-	-	(367)
Balance at March 31, 2011	$ -	$ 65	$ 10,633	$ 781	$ 257	$ 103	$ 11,839
Carrying amounts:							
At January 1, 2010	$ -	$ -	$ -	$ 5,343	$ 59	$ 62	$ 5,464
At December 31, 2010	$ 934	$ 1,292	$ 185,719	$ 5,657	$ 491	$ 646	$ 194,739
At March 31, 2011	$ 934	$ 1,276	$ 194,541	$ 5,383	$ 564	$ 621	$ 203,319

Assets under construction:
Included in property and equipment at March 31, 2011 are assets under construction of $5.2 million (December 31, 2010: $11.5 million; January 1, 2010: $nil) which mainly relate to the construction of a top drive telescopic Efficient Long Reach double drilling rig.

For the three months ended March 31, 2011, the Company has capitalized $0.1 million (2010: $nil) of specific borrowing costs related to the acquisition and construction of qualifying assets based on a capitalization rate of 4.5%.

The Company has assessed the indicators of impairment surrounding property and equipment as well as goodwill and determined that no impairment exists as at March 31, 2011. As at December 31, 2010 and January 1, 2010, the Company completed its assessments and did not identify indicators of impairment of the carrying value of long-lived assets of the Company.

9. Trade payables and other current liabilities:

	March 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 7,395	$ 6,589	$ 1,380
Accrued trade payables	8,138	10,694	-
Derivatives	-	16	-
Non-trade payables and accrued expenses	3,371	4,856	1,172
Total	$ 18,904	$ 22,155	$ 2,552

The Company's exposure to currency and liquidity risk related to trade payables and other current liabilities is disclosed in Note 18.

10. Long term debt:

This note provides information about the contractual terms of the Company's long term debt instruments, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see Note 18.

	March 31, 2011	December 31, 2010	January 1, 2010
Operating Facility	$ -	$ -	$ -
Revolving Facility	27,000	45,000	-
Bank mortgage	1,094	1,111	-
Finance lease obligations	409	486	72
	28,503	46,597	72
Less: current portion	(473)	(536)	(28)
Total long term debt	$ 28,030	$ 46,061	$ 44

On December 15, 2010, Western increased and syndicated its credit facilities. The credit facilities consist of a $10 million operating demand revolving loan (the "Operating Facility"), and a $65 million 364-day committed extendible revolving credit facility (the "Revolving Facility"). The purpose of the Revolving Facility is to assist the Company in completing corporate acquisitions and financing the construction of additional equipment. The Operating Facility is to be used for general corporate purposes. As at March 31, 2011, the Company had $38.0 million in available credit under the Revolving Facility and $10.0 million under the Operating Facility.

The Revolving Facility requires interest to be paid monthly with no scheduled principal repayment unless the Revolving Facility is not extended. The extension date ("Term-Out Date") is December 13, 2011. If not extended at the Term-Out Date, the Revolving Facility is capped and repayable over the ensuing two year period by quarterly repayments of 1/8th of the amount outstanding at the Term-Out Date with the final payment covering the remaining balance due two years from the Term-Out Date. These payments would commence 12 months after the Term-Out Date. The Operating Facility principal balance is due on demand with interest paid monthly. Amounts borrowed under the credit facilities bear interest at the bank's prime rate plus 1.25% to 2.5% or the banker's acceptance rate plus 225 bps to 350 bps depending, in each case, on the ratio of consolidated debt to consolidated EBITDA(2). The credit facilities are secured by the assets of the Company.

Subsequent to March 31, 2011, the Company increased its Revolving Facility. Refer to Note 21 for additional information.

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

	Covenant
Minimum Current Ratio	1.25 to 1.00 or more
Maximum Consolidated Debt to Consolidated EBITDA Ratio (1)(2)	2.5 to 1.0 or less
Maximum Consolidated Debt to Consolidated Capitalization Ratio	0.60 to 1.0 or less
Minimum Consolidated EBITDA to Consolidated Interest Expense Ratio	2.0 to 1.0 or more

(1) In the event during any fiscal quarter, Consolidated Debt has been incurred to finance a material acquisition the ratio shall increase to 3.0 to 1.0 for the fiscal quarter immediately following.

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

As at March 31, 2011, the Company is in compliance with all covenants related to its credit facilities. As at December 31, 2010 and January 1, 2010, the Company was in compliance with all covenants.

The bank mortgage is secured over land and buildings with a carrying amount of $1.3 million (December 31, 2010: $1.3 million; January 1, 2010: $nil) (see Note 8).

During the three months ended March 31, 2011, the Company incurred interest and financing costs of approximately $0.5 million (2010 - $0.1 million) on its long term debt. The Company paid an average of 4.29% on its borrowings for the three months ended March 31, 2011.

11. Common shares:

At March 31, 2011, the Company was authorized to issue an unlimited number of common shares.

Common shares	Issued and outstanding shares		Amount
Balance, January 1, 2010	132,031,830	$	8,253
Issued for cash - March 18, 2010	375,000,000		75,000
Issued on acquisition of Cedar Creek	20,517,331		6,155
Issued on acquisition of Pantera	226,069,721		74,603
Issue costs	-		(4,116)
Balance, December 31, 2010	753,618,882	$	159,895
Issued for cash - March 29, 2011	192,500,000		75,075
Issue costs	-		(4,154)
Balance, March 31, 2011	946,118,882	$	230,816

12. Stock based compensation:

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

	Stock options outstanding		Weighted average exercise price
Balance, January 1, 2010	170,003	$	2.370
Granted	22,300,000		0.285
Expired/Forfeited	(1,818,336)		0.479
Balance, December 31, 2010	20,651,667	$	0.285
Granted	2,550,000		0.335
Expired/Forfeited	(800,000)		0.313
Balance, March 31, 2011	22,401,667	$	0.290

For the three months ended March 31, 2011, there were no stock options cancelled.

As at March 31, 2011: Exercise price ($/share)	Number of options outstanding	Weighted average contractual life remaining (years)	Number of options exercisable
0.285	20,300,000	3.98	-
0.335	2,100,000	4.79	-
1.32	1,667	0.99	1,667
	22,401,667	4.06	1,667

As at December 31, 2010: Exercise price ($/share)	Number of options outstanding	Weighted average contractual life remaining (years)	Number of options exercisable
0.285	20,650,000	4.33	-
1.32	1,667	1.24	1,667
	20,651,667	4.33	1,667

12. Stock based compensation (continued):

As at January 1, 2010: Exercise price ($/share)	Number of options outstanding	Weighted average contractual life remaining (years)	Number of options exercisable
1.32	82,502	2.30	82,502
3.36	87,501	1.10	87,501
	170,003	1.70	170,003

The average fair value of the stock options granted in the three months ended March 31, 2011 was $0.14 per stock option (three months ended March 31, 2010: $0.12). For the three months ended March 31, 2011 the Company recorded approximately $0.2 million (three months ended March 31, 2010: $16,000) in stock based compensation expense. The accounting fair value as at the date of grant is calculated in accordance with a Black Scholes methodology using the following inputs:

	Three months ended March 31	
	2011	2010
Risk-free interest rate	2%	2%
Average forfeiture rate	28%	13%
Average expected life	3.0 years	3.0 years
Maximum life	5.0 years	5.0 years
Average vesting period	3.0 years	3.0 years
Expected dividend	nil	nil
Expected share price volatility	60%	60%

Warrants:

	Warrants outstanding	Weighted average exercise price
Balance at:		
January 1, 2010, December 31, 2010 and March 31, 2011	50,500,000	$ 0.105

The warrants expire on December 22, 2014.

13. Earnings per share:

Basic earnings per share:

The calculation of basic earnings per share for the three months ended March 31, 2011 was based on the net income attributable to common shareholders of $11.3 million (2010: $11.1 million), and a weighted average number of common shares outstanding of 760,035,549 (2010: 193,556,748).

Weighted average number of ordinary shares:

	Three months ended March 31	
	2011	2010
Issued common shares at January 1	753,618,882	132,031,830
Effect of shares issued-March 18, 2010	-	61,524,918
Effect of shares issued-March 29, 2011	6,416,667	-
Weighted average number of common shares	760,035,549	193,556,748

13. Earnings per share (continued):

Diluted earnings per share:

The calculation of diluted earnings per share for the three months ended March 31, 2011 was based on net income attributable to common shareholders of $11.3 million (2010: $11.1 million), and a weighted average number of common shares outstanding after adjustment for the effects of all potentially dilutive common shares of 798,656,233 (2010: 233,859,633), calculated as follows:

Weighted average number of common shares (diluted):

	Three months ended March 31	
	2011	2010
Weighted average number of common shares (basic)	760,035,549	193,556,748
Dilutive effect of stock options and warrants	38,620,684	40,302,885
Weighted average number of common shares (diluted)	798,656,233	233,859,633

At March 31, 2011, 1,667 options (2010: 18,570,003 options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

14. Finance costs:

Recognized in the statement of operations and comprehensive income:

	Three months ended March 31	
	2011	2010
Interest expense on long term debt	$ 488	$ 91
Amortization of costs relating to securing credit facilities	66	-
Interest on provisions	8	-
Total finance costs	$ 562	$ 91

15. Other items:

	Three months ended March 31	
	2011	2010
Acquisition costs	$ 175	$ 176
Foreign exchange loss/(gain)	51	(80)
Change in fair value of derivatives	(6)	-
(Gain)/loss on sale of assets	(1,157)	12
Total other items	$ (937)	$ 108

16. Income tax expense:

	Three months ended March 31	
	2011	2010
Income tax expense:		
Current tax expense	$ (1,059)	$ -
Deferred tax expense	5,443	2
Total income tax expense	$ 4,384	$ 2

For the three months ended March 31, 2011, the Company recognized a $1.1 million (2010: nil) recovery in current tax expense due to the filing of Horizon Drilling International Inc.'s United States tax returns in the period. Previously, the loss carry forwards resulting in this recovery were included in the Company's deferred tax asset.

For the three months ended March 31, 2011, the Company recognized a deferred income tax expense of approximately $5.4 million relating to the reversal of temporary differences and utilization of loss carry forwards from income earned in the period.

17. Costs by nature:

Net income from continuing operations has been arrived at after charging:

	Three months ended March 31	
	2011	2010
Depreciation of property and equipment	$ 4,989	$ 425
Employee benefits: salaries	20,233	1,709
Employee benefits: stock based compensation	203	16
Repairs and maintenance	3,097	191
Third party charges	5,219	208
Other operating expenses	818	537

Other operating expenses include movements of consumables sold $0.8 million (2010: $0.5 million).

18. Financial risk management and financial instruments:

The Company's financial instruments include cash and cash equivalents, trade and other receivables, investments in equity securities, derivatives, accounts payable and accrued liabilities, and long term debt. Cash and cash equivalents, investments in equity securities and derivatives are carried at fair value. The carrying amount of trade receivables, and accounts payable and accrued liabilities approximates their fair values due to their short term nature. Long term debt instruments bear interest at rates that approximate market rates and therefore, their carrying values approximate fair values.

Interest rate risk:

The Company is exposed to interest rate risk on certain debt instruments to the extent the prime interest rate changes. Currently the Company's credit facilities are subject to interest rate changes. For the revolving credit facility, a one percent change in interest rates would have an approximately $0.1 million impact on interest expense for the three months ended March 31, 2011. Other long term debt, such as finance leases, are subject to fixed rates.

Foreign exchange risk:

The Company is exposed to foreign currency fluctuations in relation to monetary assets and liabilities denominated in foreign currencies. From time-to-time the Company has also used forward foreign currency contracts to hedge against these fluctuations. For the three months ended March 31, 2011, the increase or decrease in net earnings before taxes for each one percent change in foreign exchange rates between the Canadian and US Dollars is estimated to be less than $0.1 million. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company's functional currency.

Credit risk:

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to customers in the form of outstanding trade receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets which reflects management's assessment of the credit risk. At March 31, 2011, approximately 98% of the Company's trade receivables from continuing operations are less than 90 days old. During the three months ended March 31, 2011, there have been no significant changes to the allowance for doubtful accounts provision. The Company believes the unimpaired amounts more than 30 days old are still collectible, based on historic payment behavior and an analysis of the underlying customers' ability to pay. Based on historic default rates, the Company believes, apart from the below, no impairment allowance is necessary in respect of trade receivables.

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

The table below provides an analysis of our trade receivables aging:

	March 31, 2011	December 31, 2010	January 1, 2010
Trade receivables			
Current	$ 19,910	$ 14,897	$ 555
Outstanding for 31 to 60 days	18,322	11,562	235
Outstanding for 61 to 90 days	1,851	2,718	65
Outstanding for over 90 days	726	470	183
Less: allowance for doubtful accounts	(21)	(100)	(134)
Accrued trade receivables	1,958	798	-
Other receivables	2,100	876	118
Total	$ 44,846	$ 31,221	$ 1,022

As at March 31, 2011, other receivables consisted mainly of approximately $1.6 million relating to income tax receivables and approximately $0.3 million relating to input tax receivables.

Impairment losses:

The allowance for doubtful accounts in respect of trade and other receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

Significant customers:

For the three months ended March 31, 2011, the Company had two significant customers comprising 16.2% and 11.4%, respectively of total revenue. Of these two significant customers, one customer's trade receivable balance at March 31, 2011 represented 14.2% of the Company's total trade and other receivable balance. No other single customer represents greater than 10% of the Company's total revenue in the three month period.

For the three months ended March 31, 2010, the Company had one significant customer comprising 19.6% of total revenue. No other single customer represents greater than 10% of the Company's total revenue in this three month period.

Liquidity risk:

Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they become due. The Company manages liquidity risk through management of its capital structure, monitoring and reviewing actual and forecasted cash flows and the effect on bank covenants, and maintaining unused credit facilities where possible to ensure there is available cash resources to meet the Company's liquidity needs. The Company's existing credit facilities and cash flow from operating activities are expected to be greater than anticipated capital expenditures and the contractual maturities of the Company's financial liabilities. This expectation could be adversely affected by a material negative change in the Canadian oilfield service industry.

The table below provides an analysis of the expected maturities of the Company's outstanding obligations:

	Carrying amount	Less than 12 months	1-2 years	3-4 years	More than 5 years
Financial liabilities:					
Operating Facility	$ -	$ -	$ -	$ -	$ -
Revolving Facility	27,000	-	27,000	-	-
Bank mortgage	1,094	67	1,027	-	-
Trade and other current liabilities	18,904	18,904	-	-	-
Total	$ 46,998	$ 18,971	$ 28,027	$ -	$ -

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

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

Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

The Company may use derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors. The Company does not apply hedge accounting in order to manage volatility within the statement of operations and comprehensive income.

Fair value:

Financial assets and liabilities recorded at fair value in the condensed consolidated balance sheet are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Hierarchical levels based on the amount of subjectivity associated with the inputs in the fair determination of these assets and liabilities are as follows:

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

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

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

The Company's cash and cash equivalents and investments in equity securities are the only financial assets or liabilities measured using fair value. The Company's cash and cash equivalents and investments in equity securities are categorized as level 1 as there is quoted prices in an active market for these instruments.

Capital management:

The capital structure of the Company consists of cash and cash equivalents, operating and revolving credit facilities, other debt instruments and share capital. The overall capitalization of the Company is outlined below:

	March 31, 2011	December 31, 2010	January 1, 2010
Operating Facility	$ -	$ -	$ -
Revolving Facility	27,000	45,000	-
Bank mortgage	1,094	1,111	-
Finance lease obligations	409	486	72
Total debt	28,503	46,597	72
Shareholders' equity	269,318	186,833	8,077
Less: cash and cash equivalents	(47,676)	(3,475)	(2,386)
Total capitalization	$ 250,145	$ 229,955	$ 5,763

Management is focused on several objectives while managing the capital structure of the Company, specifically:

- Ensuring the Company has the financing capacity to continue to execute on opportunities to increase overall market share through strategic acquisitions that add value for the Company's shareholders;
- Maintaining a strong capital base to ensure that investor, creditor and market confidence is secured;
- Maintaining balance sheet strength, ensuring the Company's strategic objectives are met, while retaining an appropriate amount of leverage; and
- Safeguarding the entity's ability to continue as a going concern, such that it continues to provide returns for shareholders and benefits for other stakeholders.

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

The Company manages its capital structure based on current economic conditions, the risk characteristics of the underlying assets, and planned capital requirements within guidelines approved by its Board of Directors. Total capitalization is maintained or adjusted by drawing on existing debt facilities, issuing new debt or equity securities when opportunities are identified and through the disposition of underperforming assets to reduce debt when required. As at March 31, 2011, the Company had $48 million in available credit under its credit facilities and is in compliance with all debt covenants (see Note 10). There were no changes in the Company's approach to capital management during the three months ended March 31, 2011.

19. Commitments:

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

	2011	2012	2013	2014	2015	Thereafter	Total
Operating leases	$ 1,191	$ 1,295	$ 1,061	$ 579	$ -	$ -	$ 4,126
Capital commitments	15,455	4	-	-	-	-	15,459
Purchase commitments	366	-	-	-	-	-	366
Total	$ 17,012	$ 1,299	$ 1,061	$ 579	$ -	$ -	$ 19,951

Operating leases:

The Company has offices, vehicles and oil and gas service equipment under operating leases. The leases typically run for a period of 1 to 4 years, with an option to renew the lease after that date.

Purchase and capital commitments:

The Company has agreements in place to purchase certain capital and other operational items with third parties.

20. Discontinued operations:

During 2010, management determined its United States and international production services divisions, included in the Production Services segment, would be disposed of in order for the Company to focus on its core business operations in western Canada. The disposal groups consisted of certain property and equipment including a building, field equipment and shop equipment used in the Production Services segment. In the first quarter of 2011, there were no significant transactions within the disposal group as the respective entities are being wound up. As at March 31, 2011, all amounts are at the lower of cost and fair value.

21. Subsequent events:

On April 1, 2011, the underwriters of Western's March 29, 2011 public offering exercised an over-allotment option and pursuant thereto acquired an additional 28,875,000 common shares at $0.39 per share for gross proceeds of approximately $11.3 million.

On June 8, 2011, Western increased its syndicated revolving credit facility to a $150 million committed three year extendible revolving credit facility (the "Revolving Facility"). The Revolving Facility requires interest to be paid monthly with no scheduled principal repayments unless the Revolving Facility is not extended by the maturity date. The current maturity date of the Revolving Facility is June 7, 2014. Amounts borrowed under the Revolving Facility will bear interest at the bank's prime rate or the banker's acceptance rate plus an applicable margin depending, in each case, on the ratio of consolidated debt to consolidated EBITDA. The Revolving Facility is secured by the assets of the Company. The purpose of the Revolving Facility is for general corporate purposes including refinancing the existing credit facility as well as partially financing the acquisition of Stoneham.

On June 10, 2011, the Company acquired all of the issued and outstanding units of Stoneham Drilling Trust ("Stoneham") in exchange for a combination of cash and common shares of Western. The total transaction value is approximately $236.5 million, including the assumption of approximately $45 million in debt and transaction costs. A portion of the consideration was paid for through the issuance of approximately 196.1 million shares in Western at an ascribed value of $0.39 per Western share with the remaining $115 million of consideration paid in cash. In accordance with IFRS 3, Business Combinations, the share consideration was determined based on the closing price of Western's shares immediately before closing the acquisition.

21. Subsequent events (continued):

The acquisition of Stoneham enables the Company to continue its growth strategy as an oilfield service provider in the Canadian oilfield service industry. This acquisition will provide the Company with an increased market share through access to Stoneham's assets, customer base and operational personnel. At the date of these Financial Statements, the Company is unable to reasonably determine the preliminary purchase price allocation, proforma disclosures and other financial information required to be disclosed under IFRS 3.

22. Explanation of transition to IFRS:

As stated in Note 2(a), these are the Company's first Financial Statements prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the Financial Statements for the three months ended March 31, 2011, the comparative information presented in these Financial Statements for the year ended December 31, 2010, the comparative information presented in these Financial Statements for the three months ended March 31, 2010 and in the preparation of an opening IFRS balance sheet at January 1, 2010 (the Company's "Transition Date").

In accordance with IFRS, the Company has complied with the requirements of IFRS 1. IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adopters.

Set forth below are the IFRS 1 applicable optional exemptions and mandatory exceptions applied in the Company's conversion from Canadian GAAP to IFRS.

IFRS optional exemptions elected:

1. Business combinations - IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected to apply IFRS 3 to business combinations that occurred prospectively from the Transition Date and as such business combinations completed before the transition date have not been restated.

2. Deemed Cost - IFRS 1 provides the option for an entity to revalue property, plant and equipment ("PP&E") at fair value at the Transition Date and use this fair value as the deemed transition cost. This election applies to individual assets.

   The Company has elected to apply this exemption to its entire PP&E balance at the Transition Date. The result is that no adjustment was required to arrive at the IFRS deemed cost values given that the Company had previously fair valued its balance sheet on December 22, 2009 under Canadian GAAP. At December 22, 2009, due to the financial restructuring that occurred on that date, the Company applied CICA Handbook S. 1625, Comprehensive Revaluation of Assets and Liabilities, which resulted in the Company's property and equipment balance being adjusted to its respective fair value at that date. In addition, there was no difference in depreciation expense for the period between December 23, 2009 and January 1, 2010 between Canadian GAAP and IFRS. Therefore, the December 31, 2009 property and equipment balance under Canadian GAAP represented its fair value and deemed cost on January 1, 2010 under IFRS.

   In connection with the application of CICA Handbook S. 1625 on December 22, 2009, the Company reset its contributed surplus and its deficit to zero with the corresponding adjustment applied against share capital. In total, share capital was reduced by approximately $14.0 million in total due to $15.8 million of deficit being applied against share capital which was offset by the $1.8 million credit balance in contributed surplus which increased share capital.

   Considering IFRS 1 requirements, these adjustments were deemed appropriate, as all adjusted amounts were within the Company's net equity accounts therefore the total equity value was not impacted and the opening balance sheet is a fair presentation of the Company's financial position as at January 1, 2010.

22. Explanation of transition to IFRS (continued):

3. Stock based compensation - IFRS 2, Share-based Payment, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. IFRS 1 provides the option to not retrospectively apply the requirements of IFRS 2 to equity instruments that have vested prior to the Transition Date. As a result of the transition method elected, there was no adjustment to equity instruments granted after November 7, 2002 that had vested prior to January 1, 2010.

4. Compound financial instruments - IFRS 1 provides the exemption that allows an entity to use its previous GAAP's accounting treatment for compound financial instruments where the liability has been settled prior to January 1, 2010. Historically, Western issued convertible debt which would have been accounted for differently under IFRS. As a result of the Company electing to utilize this exemption, compound instruments entered into and settled prior to January 1, 2010 were not adjusted on transition to IFRS.

IFRS mandatory exceptions applicable to the Company:

Estimates - Hindsight was not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliation of Canadian GAAP to IFRS:

In preparing its opening IFRS balance sheet, the Company has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity:

As at		December 31, 2010	March 31, 2010	January 1, 2010
Shareholders' equity under Canadian GAAP		$ 187,322	$ 96,152	$ 8,077
Differences increasing (decreasing) reported shareholders' equity:				
PP&E - Depreciation	(a)	(576)	(11)	-
Provisions	(b)	(56)	-	-
Leases	(c)	(1)	(1)	-
Income taxes	(e)	144	3	-
Total shareholders' equity under IFRS		$ 186,833	$ 96,143	$ 8,077

Reconciliation of net income and comprehensive income:

		Three months ended March 31, 2010	Twelve months ended December 31, 2010
Net income and comprehensive income under Canadian GAAP		$ 11,106	$ 27,049
Differences increasing (decreasing) reported net income:			
PP&E - Depreciation	(a)	(11)	(576)
Provisions	(b)	-	(56)
Leases	(c)	(1)	(1)
Stock based compensation	(d)	2	30
Income taxes	(e)	3	144
Total net income and comprehensive income under IFRS		$ 11,099	$ 26,590

22. Explanation of transition to IFRS (continued):

Notes to Reconciliation of Canadian GAAP to IFRS:

(a) Property and equipment:
IAS 16 is effective as of January 1, 2010 and is applicable to all items of property and equipment at that date. The transition rules in IAS 16 and IFRS 1 as applied by the Company result in the following:

- Property and equipment were fair valued at the Transition Date which then became the items deemed cost to be depreciated moving forward and resulted in no change in the carrying value due to the fact that items were previously fair valued under Canadian GAAP as at December 22, 2009. There was no difference in depreciation expense for the period between December 23, 2009 and January 1, 2010 between Canadian GAAP and IFRS.

- The identification of certain significant components of property and equipment has resulted in a change to the estimation of the useful life of certain items of property and equipment in 2010 under IFRS. The change in estimate has resulted in adjustments to the carrying value and depreciation expense previously booked under Canadian GAAP in 2010.

(b) Provisions:

Under IFRS, the Company recognized a provision due to an onerous office lease in 2010 as the benefit the Company expected to receive in the future no longer exceeded the cost of fulfilling the contract.

(c) Leases:

Under Canadian GAAP, leases of certain vehicles were classified as operating leases. Under IFRS, these vehicles have been classified as finance leases based on whether risk and rewards transfer to the lessee. As a result, property and equipment together with leased obligations on the balance sheet have been adjusted.

(d) Stock based compensation:

The Company has elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that have not vested by the Transition Date.

Under Canadian GAAP, forfeitures of awards are recognized as they occur. Under IFRS, an estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. As a result, the Company adjusted its expense to reflect this difference.

(e) Income taxes

Deferred taxes have been adjusted to give effect to adjustments related to the change in depreciation expense from transition to IFRS throughout 2010. No adjustment has been made with respect to the IFRS adjustment relating to provisions given that the temporary difference is not expected to be realized by the Company. As at January 1, 2010, no adjustment has been made to income taxes for the change in the classification of certain lease contracts as finance leases under IFRS as the amounts were not significant.

(f) Presentation reclassifications

Reclassification of depreciation, amortization of intangibles and stock based compensation:
The Company has elected present expenses it the statement of operations and comprehensive income based on the function of the expense. As a result, depreciation, amortization of intangibles and stock based compensation expenses have been reclassified to either operating expenses or administrative expenses based on their function.

Change in accounting policies:

(i) Business combinations: Following Canadian GAAP, the Company adopted CICA Handbook S. 1582, Business Combinations, which is consistent with IFRS 3, Business Combinations, as at January 1, 2010. Therefore, there have been no adjustments under IFRS related to the business combinations entered into in 2010.

22. Explanation of transition to IFRS (continued):

(ii) Asset impairment: In accordance with IFRS, for purposes of assessing impairment of property and equipment, management has identified cash generating units (CGUs) based on the smallest group of assets that are capable of generating largely independent cash inflows. Under Canadian GAAP, property and equipment was allocated to asset groups defined as the lowest level of assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In addition, the recoverable amount for the impairment analysis is based on discounted cash flows under IFRS, unlike Canadian GAAP, where the recoverable amount was originally assessed on an undiscounted basis.

(iii) Income taxes presentation: Under IFRS, all deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference.

(iv) Stock based compensation: Under IFRS, an estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Under Canadian GAAP, the Company's policy was to account for the forfeitures as they occurred.

Material adjustments to the condensed consolidated statement of cash flows for 2010:

Consistent with the Company's accounting policy choice under IAS 7, Statement of Cash Flows, interest paid and income taxes paid have moved into the body of the statement of cash flows, whereas they were previously disclosed as supplementary information. In addition, interest paid has been classified as a financing activity. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under Canadian GAAP.

Reconciliation of the balance sheet under IFRS:

As at January 1, 2010:

Canadian GAAP accounts	Note	Canadian GAAP amounts	IFRS adjustments	IFRS amounts	IFRS accounts
Assets					
Current assets					
Cash		$ 2,386	$ -	$ 2,386	Cash
Accounts receivable		1,022	-	1,022	Trade and other receivables
Inventory		313	-	313	Inventories
Prepaid expenses		175	-	175	Prepaid expenses and other current assets
Current assets of discontinued operations		1,012	-	1,012	Current assets of discontinued operations
		4,908	-	4,908	
Non-current assets					
Property and equipment	(c)	5,414	50	5,464	Property and equipment
Assets of discontinued operations		1,897	-	1,897	Assets of discontinued operations
		$ 12,219	$ 50	$ 12,269	
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$ 2,552	$ -	$ 2,552	Trade payables and other current liabilities
Current portion of long term debt	(c)	5	23	28	Current portion of long term debt
Current liabilities of discontinued operations		1,520	-	1,520	Current liabilities of discontinued operations
		4,077	23	4,100	
Non-current liabilities					
Long term debt	(c)	17	27	44	Long term debt
Future income taxes		-	-	-	Deferred taxes
Liabilities of discontinued operations		48	-	48	Liabilities of discontinued operations
		4,142	50	4,192	
Shareholders' Equity					
Common shares		8,253	-	8,253	Share capital
Contributed surplus		1,835	-	1,835	Contributed surplus
Retained earnings (deficit)		(2,011)	-	(2,011)	Retained earnings (deficit)
		8,077	-	8,077	
		$ 12,219	$ 50	$ 12,269	

22. Explanation of transition to IFRS (continued):

Reconciliation of the balance sheet under IFRS (continued):

As at December 31, 2010:

Canadian GAAP accounts	Note	Canadian GAAP amounts	IFRS adjustments	IFRS reclassifications	IFRS amounts	IFRS accounts
Assets						
Current assets						
Cash		$ 3,475	$ -	$ -	$ 3,475	Cash
Accounts receivable		31,221	-	-	31,221	Trade and other receivables
Inventory		463	-	-	463	Inventories
Prepaid expenses		1,007	-	432	1,439	Prepaid expenses and other current assets
Investment		180	-	(180)	-	
Deferred charges		252	-	(252)	-	
Future income taxes		1,884	-	(1,884)	-	
Assets of discontinued operations		38	-	-	38	Assets of discontinued operations
		38,520	-	(1,884)	36,636	
Non-current assets						
Property and equipment	(a)(c)	195,286	(547)	-	194,739	Property and equipment
Goodwill		29,117	-	-	29,117	Goodwill
Future income taxes		1,702	-	1,884	3,586	Deferred taxes
Assets of discontinued operations		28	-	-	28	Assets of discontinued operations
		$ 264,653	$ (547)	$ -	$ 264,106	
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities		$ 22,175	$ -	$ (20)	$ 22,155	Trade payables and other current liabilities
Current portion of deferred credits	(b)	239	56	20	315	Current portion of provisions
Current portion of long term debt	(c)	513	23	-	536	Current portion of long term debt
Liabilities of discontinued operations		476	-	-	476	Liabilities of discontinued operations
		23,403	79	-	23,482	
Non-current liabilities						
Deferred credits		353	-	-	353	Provisions
Long term debt	(c)	46,054	7	-	46,061	Long term debt
Future income taxes	(e)	7,521	(144)	-	7,377	Deferred taxes
Liabilities of discontinued operations		-	-	-	-	Liabilities of discontinued operations
		77,331	(58)	-	77,273	
Shareholders' Equity						
Common shares		159,895	-	-	159,895	Share capital
Contributed surplus	(d)	2,389	(30)	-	2,359	Contributed surplus
Retained earnings		25,038	(459)	-	24,579	Retained earnings
		187,322	(489)	-	186,833	
		$ 264,653	$ (547)	$ -	$ 264,106	

22. Explanation of transition to IFRS (continued):

Reconciliation of the statement of operations and comprehensive income under IFRS:

For the three months ended March 31, 2010:

Canadian GAAP accounts	Note	Canadian GAAP amounts	IFRS adjustments	IFRS reclassifications	IFRS amounts	IFRS accounts
Revenue		$ 4,318	$ -	$ -	$ 4,318	Revenue
Operating expenses	(c)	3,066	(6)	-	3,482	Operating expenses
	(f)			419		Operating expenses-Depreciation
	(f)			3		Operating expenses-Stock based compensation
General and administrative		710	-	-	729	Administrative expenses
	(f)			6		Administrative expenses-Depreciation
	(f)			13		Administrative expenses-Stock based compensation
Depreciation	(a)(c)(f)	408	17	(425)	-	
Stock-based compensation	(d) (f)	18	(2)	(16)	-	
Interest and finance costs	(c)	90	1	-	91	Finance costs
				108	108	Other items
Loss on sale of assets		12	-	(12)	-	Loss on sale of assets
Foreign exchange gain		(80)	-	80	-	Foreign exchange gain
Acquisition costs		176	-	(176)	-	Acquisition costs
Gain on business acquisitions		(11,624)	-	-	(11,624)	Other income-gain on business acquisitions
Income from continuing operations before taxes		11,542	(10)	-	11,532	Income from continuing operations before taxes
Future income taxes	(e)	5	(3)	-	2	Income taxes
Net income from continuing operations		11,537	(7)	-	11,530	Net income from continuing operations
Net loss from discontinued operations		(431)	-	-	(431)	Net loss from discontinued operations
Net income and comprehensive income		$ 11,106	$ (7)	$ -	$ 11,099	Net income and comprehensive income

22. Explanation of transition to IFRS (continued):

Reconciliation of the statement of operations and comprehensive income under IFRS (continued):

For the year ended December 31, 2010

Canadian GAAP accounts	Note	Canadian GAAP amounts	IFRS adjustments	IFRS reclassifications	IFRS amounts	IFRS accounts
Revenue		$ 67,543	$ -	$ -	$ 67,543	Revenue
Operating expenses	(c)	40,021	(23)	-	47,789	Operating expenses
	(f)			7,685		Operating expenses-Depreciation and amortization
	(f)			106		Operating expenses-Stock based compensation
General and administrative	(b)	7,954	35	-	8,567	Administrative expenses
	(f)			160		Administrative expenses-Depreciation
	(f)			418		Administrative expenses-Stock based compensation
Depreciation	(a)(c)(f)	6,683	597	(7,280)	-	
Amortization of intangibles	(f)	565	-	(565)	-	
Stock-based compensation	(d)(f)	554	(30)	(524)	-	
Interest and finance costs	(b)(c)	887	24	-	911	Finance costs
				1,884	1,884	Other items
Loss on sale of assets		139	-	(139)	-	Loss on sale of assets
Foreign exchange loss		159	-	(159)	-	Foreign exchange loss
Acquisition costs		1,586	-	(1,586)	-	Acquisition costs
Gain on business acquisitions		(19,653)	-	-	(19,653)	Other income-gain on business acquisitions
Income from continuing operations before taxes		28,648	(603)	-	28,045	Income from continuing operations before taxes
Future income taxes	(e)	537	(144)	-	393	Income taxes
Net income from continuing operations		28,111	(459)	-	27,652	Net income from continuing operations
Net loss from discontinued operations		(1,062)	-	-	(1,062)	Net loss from discontinued operations
Net income and comprehensive income		$ 27,049	$ (459)	$ -	$ 26,590	Net income and comprehensive income