Western Energy Services Corp.

Consolidated Financial Statements

December 31, 2010 and 2009

To the Shareholders of Western Energy Services Corp.:

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of Western Energy Services Corp. ("Western" or the "Company"). The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Audit Committee is appointed by the Board of Directors, with all of its members being independent directors. The Audit Committee meets with management, as well as with the external auditors, to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited independently by Deloitte & Touche LLP on behalf of the Company in accordance with generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements.

(Signed) "Dale E. Tremblay"

Dale E. Tremblay
Chief Executive Officer

April 13, 2011

Independent Auditor's Report

To the Shareholders of Western Energy Services Corp.

We have audited the accompanying consolidated financial statements of Western Energy Services Corp., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and deficit, comprehensive income (loss) and retained earnings (deficit), and cash flows for the year ended December 31 2010 and for the period January 1, 2009 to December 22, 2009 and for the period December 23, 2009 to December 31, 2009, and the notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Western Energy Services Corp. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the year ended December 31, 2010 and for the period January 1, 2009 to December 22, 2009 and for the period December 23, 2009 to December 31, 2009, in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes that Western Energy Services Corp. has adopted CICA Handbook Section 1582, Business Combinations, effective January 1, 2010 which has impacted the accounting of all business acquisitions during the reporting period. The standard has been prospectively applied as required by the standard.

Deloitte & Touche LLP

Chartered Accountants
April 13, 2011
Calgary, Alberta

Western Energy Services Corp.

Consolidated Balance Sheets
(thousands of Canadian dollars)

	December 31, 2010	December 31, 2009
Assets		
Current assets		
Cash	$ 3,475	$ 2,386
Accounts receivable	31,221	1,022
Inventory	463	313
Prepaid expenses	1,007	175
Investments	180	-
Future income taxes (Note 11)	1,884	-
Deferred charges	252	-
Current portion of assets of discontinued operations (Note 13)	38	1,012
	38,520	4,908
Property and equipment (Note 4)	195,286	5,414
Future incomes taxes (Note 11)	1,702	-
Goodwill (Notes 3 and 5)	29,117	-
Assets of discontinued operations (Note 13)	28	1,897
	$ 264,653	$ 12,219
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 22,175	$ 2,552
Current portion of long term debt (Note 6)	513	5
Current portion of deferred credits	239	-
Current portion of liabilities of discontinued operations (Note 13)	476	1,520
	23,403	4,077
Deferred credits	353	-
Long term debt (Note 6)	46,054	17
Future income taxes (Note 11)	7,521	-
Liabilities of discontinued operations (Note 13)	-	48
	77,331	4,142
Shareholders' equity		
Common shares (Note 7)	159,895	8,253
Contributed surplus	2,389	1,835
Retained earnings (deficit)	25,038	(2,011)
	187,322	8,077
	$ 264,653	$ 12,219

Commitments (Note 8)
Subsequent events (Note 15)
See accompanying notes to these consolidated financial statements.

Approved on behalf of the Board of Directors:

(Signed) "John R. Rooney"
John R. Rooney
Director

(Signed) "Dale E. Tremblay"
Dale E. Tremblay
Director

Western Energy Services Corp.

Consolidated Statements of Operations, Comprehensive Income (Loss) and Retained Earnings (Deficit)
(thousands of Canadian dollars, except share and per share amounts)

	After comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation
	Year ended December 31, 2010	**December 23, 2009 to December 31, 2009**	**January 1, 2009 to December 22, 2009**
Revenue	$ 67,543	$ 151	$ 3,785
Expenses			
Operating	40,021	106	3,178
General and administrative	7,954	147	1,801
Depreciation	6,683	38	1,651
Amortization of intangibles	565	-	-
Stock-based compensation	554	1,835	-
Loss on sale of assets	139	-	608
Interest and finance costs	887	-	85
Net foreign exchange loss (gain)	159	-	(203)
Acquisition costs	1,586	-	-
Gain on business acquisitions (Note 3)	(19,653)	-	-
Goodwill impairment	-	-	599
Income (loss) from continuing operations before taxes	28,648	(1,975)	(3,934)
Income taxes			
Current income taxes (Note 11)	-	-	50
Future income taxes (Note 11)	537	-	-
Net income (loss) from continuing operations	28,111	(1,975)	(3,984)
Net loss from discontinued operations (Note 13)	(1,062)	(36)	(2,504)
Net income (loss) and comprehensive income (loss)	27,049	(2,011)	(6,488)
Deficit, beginning of period	(2,011)	-	(9,086)
Retained earnings (deficit), end of period	$ 25,038	$ (2,011)	$ (15,574)
Net income (loss) per share from continuing operations:			
Basic and diluted	$ 0.06	$ (0.01)	$ (0.12)
Net loss per share from discontinued operations:			
Basic and diluted	$ -	$ -	$ (0.08)
Net income (loss) per share:			
Basic and diluted	$ 0.06	$ (0.02)	$ (0.20)
Weighted average number of shares:			
Basic	454,485,404	132,031,830	32,246,405
Diluted	485,414,516	132,031,830	32,246,405

See accompanying notes to these consolidated financial statements.

Western Energy Services Corp.

Consolidated Statements of Cash Flows
(thousands of Canadian dollars)

	After comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation
	Year ended December 31, 2010	**December 23, 2009 to December 31, 2009**	**January 1, 2009 to December 22, 2009**
Operating activities			
Net income (loss) from continuing operations	$ 28,111	$ (1,975)	$ (3,984)
Items not affecting cash:			
Depreciation	6,683	38	1,651
Amortization of intangibles	565	-	-
Stock-based compensation	554	1,835	-
Loss on sale of property and equipment	139	-	608
Future income taxes	537	-	-
Goodwill impairment	-	-	599
Amortization of deferred charges and credits	271	-	-
Gain on business acquisitions	(19,653)	-	-
Unrealized foreign exchange loss	94	-	-
Change in non-cash working capital	(6,400)	(322)	(92)
Continuing operations	10,901	(424)	(1,218)
Discontinued operations	(964)	(12)	(1,547)
	9,937	(436)	(2,765)
Investing activities			
Proceeds on sale of property and equipment	4,412	-	537
Business acquisitions (Note 3)	(35,988)	-	-
Additions to property and equipment	(24,590)	-	(99)
Changes in non-cash working capital	9,385	-	-
Continuing operations	(46,781)	-	438
Discontinued operations	1,694	-	2,502
	(45,087)	-	2,940
Financing activities			
Issue of common shares, net of issue costs	70,884	-	-
Repayment of long term debt	(34,166)	-	(492)
Debt issue costs	(436)	-	-
Change in non-cash working capital	121	-	-
Continuing operations	36,403	-	(492)
Discontinued operations	(164)	-	(292)
	36,239	-	(784)
Increase (decrease) in cash	1,089	(436)	(609)
Cash, beginning of period	2,386	2,822	71
Cash (bank indebtedness), end of period	$ 3,475	$ 2,386	$ (538)
Supplemental cash flow information			
Net proceeds of recapitalization (Note 1)	-	-	3,360
Interest paid	991	11	420
Taxes paid	421	-	-

See accompanying notes to these consolidated financial statements.

Western Energy Services Corp.

Notes to the consolidated financial statements

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

1. Description of business and basis of presentation

Western Energy Services Corp. ("Western" or the "Company") is an oilfield service company with operations in two industry segments: contract drilling and production services. Operations in the contract drilling segment are conducted through Western's wholly owned subsidiary Horizon Drilling Inc., which was acquired on March 18, 2010. Operations in the production services segment are conducted through Western's wholly owned subsidiary StimSol Canada Inc.

The comparative results from discontinued operations have been reclassified to conform to the current period's financial statement presentation (see Note 13).

Comprehensive revaluation

On December 22, 2009, Western completed a recapitalization and reorganization of the Company, whereby an entirely new management team and board of directors was appointed. Additionally, there was a substantial realignment of the interests of Western's creditors and shareholders. Accordingly, Western has accounted for the recapitalization and reorganization as a comprehensive revaluation of assets and liabilities whereby the Company's assets and liabilities were revalued at their fair value and the Company's retained earnings and contributed surplus were eliminated, with the difference being recorded in shareholders' equity. The effect of the comprehensive revaluation is outlined in the table below:

	Prior to comprehensive revaluation on December 22, 2009	Recapitalization transactions	Comprehensive revaluation adjustments (4)	After comprehensive revaluation on December 22, 2009
Assets:				
Current assets	$ 1,994	$ 3,360 (1)	$ -	$ 5,354
Property and equipment	14,407	(1,678) (3)	(5,371)	7,358
	16,401	1,682	(5,371)	12,712
Liabilities:				
Current liabilities	4,021	168 (1)(2)	-	4,189
Current portion of long term debt	11,331	(11,126) (1)(2)(3)	-	205
Capital lease obligations	65	-	-	65
	15,417	(10,958)	-	4,459
Shareholders' equity:				
Common shares	14,554	7,685 (1)(2)	(13,986)	8,253
Subscriptions received	205	(205) (2)	-	-
Contributed surplus	1,799	-	(1,799)	-
Deficit	(15,574)	5,160 (2)	10,414	-
	984	12,640	(5,371)	8,253
	$ 16,401	$ 1,682	$ (5,371)	$ 12,712

Summary of adjustments:

Recapitalization transactions:

(1) Pursuant to the Private Placement which closed on December 22, 2009, 50.5 million units of Western were issued at a price of $0.08 for proceeds of $4.0 million and 37.0 million common shares of Western were issued at a price of $0.08 for proceeds of $3.0 million, for total proceeds of $7.0 million. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of $0.105 for a period of five years. Share issue costs associated with the Private Placement were approximately $0.3 million. Of the total proceeds, approximately $3.7 million was applied against debt.
(2) As a condition of the completion of the Private Placement, the holders of Western's existing bridge lending facility, subordinated convertible debentures, subscriptions received and other specified obligations (The "Subordinated Debt"), converted the existing Subordinated Debt of approximately $6.1 million in exchange for 12,285,425 common shares of the Company at a price of $0.50 per share. The fair value of the common shares issued was approximately $983,000 resulting in the realization of a gain on the settlement of debt of approximately $5.2 million.
(3) As part of the reorganization, Western completed approximately $1.7 million in property and equipment sales with the proceeds applied against debt.

Comprehensive revaluation adjustment:

(4) As a result of the comprehensive revaluation, all assets and liabilities were revalued at estimated fair values and Western's deficit as at December 22, 2009 after above adjustments was eliminated.

2. Significant accounting policies

Western prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingencies. Significant estimates used in the preparation of the financial statements include, but are not limited to, purchase price allocations on business acquisitions, depreciation of property and equipment, valuation of long-lived assets and goodwill, allowance for doubtful accounts, accruals for long-term incentive plans, accruals for general liability claims and income taxes, and the assumptions used in the valuation of equity instruments such as stock options. Actual results could differ significantly from these estimates.

a. Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated.

b. Revenue recognition

(i) Services:

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 and 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 on the percentage-of-completion method, as services are provided, and collection is reasonably assured.

(ii) Product Sales:
Revenue on product sales in the production services segment 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.

c. Inventory

Inventory, comprised of supplies and chemicals to be used in operations, is valued at the lower of cost and net realizable value, using the average cost method, where cost is determined as costs of purchase, costs of conversions and other costs incurred in bringing the inventories to their present location and condition. The reversal of any write down of inventory arising from an increase in net realizable value shall be recognized as a reduction in operating expenses in the period in which the reversal occurs.

d. Property and equipment

The Company's property and equipment is recorded at cost less salvage value and amortized based upon estimates of useful lives. Property and equipment is depreciated as follows:

	Expected life	Basis of depreciation
Buildings	25 years	straight-line
Production services equipment	0.5 to 10 years	straight-line
Drilling rig equipment	4,000 operating days	unit-of-production
Drill pipe and drill collars	1,500 operating days	unit-of-production
Vehicles under capital lease	3 years	straight-line
Shop and office equipment	1 to 5 years	straight-line

Costs including interest related to equipment under construction are capitalized when incurred. No depreciation is recorded on assets under construction until those assets are substantially complete and ready for use. Land is not depreciated.

e. Impairment of long lived assets

On a periodic basis management assesses the carrying value of long lived assets for indications of impairment. Indications of impairment include an ongoing lack of profitability and significant changes in technology. An impairment loss is recognized when the carrying value of a long lived asset exceeds the total undiscounted cash flows expected from its use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

f. Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less any liabilities assumed, based on their fair values. 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.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting segment is compared to its fair value. When the fair value of a reporting segment exceeds its carrying amount, goodwill of the reporting segment is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of the reporting segment exceeds its fair value, in which case the implied fair value of the reporting segment's goodwill is compared with its carrying amount to

measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of the goodwill is determined in a business combination, using the fair value of the reporting segment as if it was the purchase price. When the carrying amount of the reporting segment's goodwill exceeds the implied fair value of the goodwill, an impairment equal to the excess is recognized in net income.

g. Financial instruments

All financial instruments are initially recorded at fair value in the consolidated balance sheet. The Company has classified each financial instrument into the following categories: assets or liabilities held for trading, assets held to maturity, assets available for sale, loans and receivables and other liabilities. Measurement of these financial instruments subsequent to their initial recognition, along with the accounting treatment for any change in their measurement is based on their classification. Unrealized gains and losses on held for trading instruments are recognized in earnings, while gains and losses on available for sale financial assets are recognized in other comprehensive income and transferred to earnings when realized. The other classifications of financial instruments are recorded at amortized cost using the effective interest method.

The Company has made the following classifications:

- Cash is classified as 'held for trading' and is measured at fair value. Any change in fair value is recorded through earnings.
- Accounts receivable is classified as 'loans and receivables', and is measured at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities and the credit facilities are classified as 'other financial liabilities' and are measured at amortized cost using the effective interest method. Long term debt and capital lease obligations are also 'other financial liabilities' valued in the same fashion.
- Investments are classified as 'available for sale' and are measured at fair value. Any change in fair value is recorded through other comprehensive income.
- The Company has not classified any financial instruments as 'held to maturity'.

h. Net income (loss) per share

Net income (loss) per share is calculated using the weighted average number of shares outstanding for the period. Diluted net income (loss) per share is calculated using the treasury stock method where the deemed proceeds on the exercise of options or warrants and the average unrecognized stock-based compensation are considered to be used to reacquire shares at an average share price for the period.

i. Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences, which are the differences between the carrying amount of an asset or liability and its tax basis. Future tax balances are reflected at the substantively enacted tax rates which are expected to apply when the temporary differences between the accounting and tax balances of the Company's assets and liabilities are reversed. Future tax assets are recorded only when the Company assesses that the realization of these assets is more likely than not.

j. Stock-based compensation

The Company applies the fair value method of accounting for stock based awards, whereby the fair value of the stock-based payment is determined on the date of grant using a Black-Scholes option pricing model and recognized over the vesting period, with a corresponding increase recorded as contributed surplus. All forfeited stock-based payments are cancelled by the Company immediately and no stock-based compensation is recorded on these stock based awards in future periods and any recognized stock-based

compensation expensed in the past periods relating to these awards are reversed. Upon the exercise of the stock-based awards, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase in common shares.

k. Foreign exchange

Monetary assets and liabilities relating to foreign denominated transactions are initially recorded at the rate of exchange in effect at the transaction date. Gains and losses resulting from subsequent changes in foreign exchange rates are recorded in net income for the period.

Western's investment in its foreign subsidiaries, which are all considered integrated foreign operations, are translated using the temporal method. Gains and losses resulting from this translation are included in net income in the period.

l. Deferred charges

Costs associated with obtaining the credit facilities are deferred and amortized on a straight-line basis over the term of the facility. The amortization is included in interest and finance costs.

m. Deferred credits

The Company has received certain lease inducements related to the lease of its head office. These inducements are amortized into income on a straight-line basis over the term of the lease. Deferred credits also include out of the money contracts acquired through business acquisitions and are recorded at fair value and amortized on a straight-line basis over the life of the contract.

n. Intangible assets

Intangible assets are comprised of acquired in-the-money contracts. Intangible assets have determinable useful lives and are amortized on a straight line basis over the estimated lives of the assets. The amortization methods and estimated contract lengths are reviewed annually. The carrying amounts of intangible assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Intangibles are not recoverable if their carrying amounts exceed the sum of the undiscounted cash flows expected to result from their use and eventual disposition. If intangibles are not recoverable, an impairment loss is recognized in an amount by which their carrying amount exceeds their fair value, with fair value determined based on discounted estimated net cash flows.

Changes in accounting policies

On January 1, 2010, the Company early adopted the following CICA Handbook sections:

- "Business Combinations", Section 1582, which replaced the previous business combinations standard. Under the new section, the term "business" is more broadly defined than in the previous standard, most assets acquired and liabilities assumed are measured at fair value, any interest in an acquiree owned prior to obtaining control is remeasured at fair value at the acquisition date (eliminating the need for guidance on step acquisitions), measurement of shares is based on the closing date, a gain on business acquisition results when the fair value of the assets acquired less liabilities assumed exceeds the consideration paid, and acquisition costs are expensed. The adoption of this standard impacted the accounting treatment of business combinations entered into after January 1, 2010 (see Note 3). Adoption of Section 1582 resulted in transaction costs of $1.6 million being expensed in the period, rather than being capitalized as part of the purchase price allocations and gain on business acquisitions of $19.7 million were recognized in income. The impact of these items, results in a $0.04 increase in basic and diluted earnings per share for the year ended December 31, 2010.

- "Consolidated Financial Statements", Section 1601, which, together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard had no material impact on Western's consolidated financial statements.
- "Non-controlling Interests", Section 1602, which establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net income and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard had no material impact on Western's consolidated financial statements.

3. Business acquisitions

i. Pantera Drilling Income Trust ("Pantera")

On December 17, 2010, Western acquired all of the issued and outstanding income trust units of Pantera in exchange for common shares of Western. Pantera unitholders received 21.9048 common shares of Western for each income trust unit of Pantera. An aggregate of 226,069,721 common shares of Western were issued at an ascribed price of $0.33 per share, based on the closing trading price of Western as at December 16, 2010.

The acquisition of Pantera enabled the Company to continue its growth strategy as an oilfield service provider in the Canadian oilfield service industry. The acquisition provided the Company with an increased market share through access to Pantera's assets and operational personnel. The Company also reduced costs through economies of scale.

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

As at December 17, 2010 (date of acquisition)		Amount
Shares issued	$	74,603
Assumption of bank debt		18,574
	$	93,177

This acquisition has been accounted for using the acquisition method on December 17, 2010, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. As of the acquisition date, Pantera's operating results have been included in Western's revenues, expenses and capital spending.

The following summarizes the allocation of the aggregate consideration for the Pantera acquisition:

As at December 17, 2010		Amount
Net working capital	$	4,158
Property and equipment		61,631
Deferred credit		(52)
Future income tax liability		(1,677)
Goodwill (Note 5)		29,117
	$	93,177

Trade receivables comprise gross contractual amounts due of $8.6 million, all of which was expected to be collectible at the acquisition date.

The Company estimates that had the acquisition closed on January 1, 2010, $29.6 million of revenue (pro forma) for the year ended December 31, 2010 would have been attributable to Pantera's assets. The Company estimates that since the acquisition date $0.8 million of revenue for the period ended December 31, 2010 is attributable to Pantera's assets. The Company cannot reasonably determine the net income amount attributable to Pantera's assets had the acquisition closed on January 1, 2010 or from the date of acquisition as operations were integrated into the Company's existing operations.

The Company assessed the acquisition for intangible assets and concluded that none exist. The allocations described above are preliminary and subject to changes upon finalization of purchase price adjustments. These adjustments may include, but are not limited to, future income tax balance adjustments on the filing of tax returns and final working capital adjustments on the respective balances acquired.

Goodwill on the Pantera acquisition is attributable to the exchange ratio between Western's common shares and Pantera's income trust units being negotiated based on a value of $0.21 per Western common share, however the consideration exchanged was valued based on a price per Western common share of $0.33, representing the price immediately before closing the acquisition. This resulted in additional consideration of approximately $27.1 million, and a corresponding increase in the goodwill recognized. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Company incurred costs related to the acquisition of Pantera of $1.1 million relating to due diligence, as well as external legal and advisory fees, which were expensed in the period incurred.

ii. Impact Drilling Ltd. ("Impact")

On August 25, 2010, Western acquired all of the issued and outstanding common shares of Impact for cash consideration of approximately $247,000.

The acquisition of Impact enabled the Company to continue its growth strategy as an oilfield service provider in the Canadian oilfield service industry. The acquisition provided the Company with an increased market share through access to Impact's assets and operational personnel. The Company also reduced costs through economies of scale.

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

As at August 25, 2010 (date of acquisition)		Amount
Cash paid	$	247
Assumption of bank debt (net of $0.1 million in cash acquired)		19,554
	$	19,801

This acquisition has been accounted for using the acquisition method on August 25, 2010, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the shortage of the aggregate consideration relative to the fair value of the identifiable net assets recorded as a gain on business acquisition. As of the acquisition date, Impact's operating results have been included in Western's revenues, expenses and capital spending.

The following summarizes the allocation of the aggregate consideration for the Impact acquisition:

As at August 25, 2010		Amount
Net working capital (excluding cash)	$	185
Property and equipment		24,519
Deferred credit		(101)
Future income tax asset		3,730
Gain on business acquisition		(8,532)
	$	19,801

Trade receivables comprise gross contractual amounts due of $1.2 million, all of which was expected to be collectible at the acquisition date.

The Company estimates that had the acquisition closed on January 1, 2010, $7.4 million of revenue (pro forma) for the year ended December 31, 2010 would have been attributable to Impact's assets. The Company estimates that since the acquisition date $5.9 million of revenue for the period ended December 31, 2010 is attributable to Impact's assets. The Company cannot reasonably determine the net income amount attributable to Impact's assets had the acquisition closed on January 1, 2010 or from the date of acquisition as operations were integrated into the Company's existing operations.

The Company assessed the acquisition for intangible assets and concluded that none exist. The allocations described above are preliminary and subject to changes upon final purchase price adjustments. These adjustments may include, but are not limited to, future income tax balance adjustments on the filing of tax returns and final working capital adjustments on the respective balances acquired.

The gain on business acquisition is representative of the Company's ability to recognize certain tax assets of Impact together with favourable market conditions.

The Company incurred costs related to the acquisition of Impact of $0.3 million relating to due diligence, as well as external legal and advisory fees, which were expensed in the period incurred.

iii. Cedar Creek Drilling Ltd. ("Cedar Creek")

On March 18, 2010, Western acquired all of the issued and outstanding common shares of Cedar Creek in exchange for 2.66 Western common shares for each Cedar Creek common share. An aggregate of 20,517,331 common shares of Western were issued at an ascribed price of $0.30 per share, based on the closing trading price on March 17, 2010.

The acquisition of Cedar Creek enabled the Company to enter and begin operations in the contract drilling segment of the Canadian oilfield service industry.

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

As at March 18, 2010 (date of acquisition)		Amount
Common shares issued	$	6,155
Assumption of bank debt		12,603
	$	18,758

This acquisition has been accounted for using the acquisition method on March 18, 2010, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the shortage of the aggregate consideration relative to the fair value of the identifiable net assets recorded as a gain on business acquisition.

As of the acquisition date, Cedar Creek's operating results have been included in Western's revenues, expenses and capital spending.

The following summarizes the allocation of the aggregate consideration for the Cedar Creek acquisition:

As at March 18, 2010		Amount
Net working capital	$	1,990
Property and equipment		19,146
Intangible assets (Note 5)		222
Future income tax liability		(592)
Gain on business acquisition		(2,008)
	$	18,758

Trade receivables comprise gross contractual amounts due of $4.0 million, all of which was expected to be collectible at the acquisition date.

The Company estimates that had the acquisition closed on January 1, 2010, $18.9 million of revenue (pro forma) for the year ended December 31, 2010 would have been attributable to Cedar Creek's assets. The Company estimates that since the acquisition date $15.5 million of revenue for the period ended December 31, 2010 is attributable to Cedar Creek's assets. The Company cannot reasonably determine the net income amount attributable to Cedar Creek's assets had the acquisition closed on January 1, 2010 or from the date of acquisition as operations were integrated into the Company's existing operations.

The gain on business acquisition is representative of the Company's ability to acquire certain oilfield service equipment under favourable market conditions.

The Company incurred costs related to the acquisition of Cedar Creek of $0.1 million relating to due diligence, as well as external legal and advisory fees, which were expensed in the period incurred.

iv. Horizon Drilling Inc. ("Horizon")

On March 18, 2010, through a series of transactions, Western acquired control of all of the issued and outstanding common shares of Horizon for cash consideration of approximately $41.4 million.

The acquisition of Horizon enabled the Company to enter and begin operations in the contract drilling segment of the Canadian oilfield service industry.

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

As at March 18, 2010 (date of acquisition)		Amount
Cash paid	$	41,430
Assumption of bank debt (net of $5.6 million in cash acquired)		24,289
	$	65,719

This acquisition has been accounted for using the acquisition method on March 18, 2010, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the shortage of the aggregate consideration relative to the fair value of the identifiable net assets recorded as a gain on business acquisition. As of the acquisition date, Horizon's operating results have been included in Western's revenues, expenses and capital spending.

The following summarizes the allocation of the aggregate consideration for the Horizon acquisition:

As at March 18, 2010		Amount
Net working capital (excluding cash)	$	8,510
Property and equipment		71,175
Intangible assets (Note 5)		343
Future income tax asset		1,241
Deferred credit		(355)
Future income tax liability		(6,082)
Gain on business acquisition		(9,113)
	$	65,719

Trade receivables comprise gross contractual amounts due of $14.9 million, all of which was expected to be collectible at the acquisition date.

The Company estimates that had the acquisition closed on January 1, 2010, $46.3 million of revenue (pro forma) for the year ended December 31, 2010 would have been attributable to Horizon's assets. The Company estimates that since the acquisition date $33.8 million of revenue for the period ended December 31, 2010 is attributable to Horizon's assets. The Company cannot reasonably determine the net income amount attributable to Horizon's assets had the acquisition closed on January 1, 2010 or from the date of acquisition as operations were integrated into the Company's existing operations.

The gain on business acquisition is representative of the Company's ability to acquire certain oilfield service equipment under favourable market conditions.

The Company incurred costs related to the acquisition of Horizon of $0.1 million relating to due diligence, as well as external legal and advisory fees, which were expensed in the period incurred.

4. Property and equipment

	December 31, 2010					
		Cost		Accumulated depreciation		Net book value
Land	$	934	$	-	$	934
Buildings		1,366		56		1,310
Drilling rigs and related equipment		180,753		5,682		175,071
Production services equipment		6,050		653		5,397
Shop and office equipment		653		180		473
Vehicles under capital lease		665		49		616
Assets under construction		11,485		-		11,485
	$	201,906	$	6,620	$	195,286

Of the $11.5 million in assets under construction at December 31, 2010, $8.5 million relates to the construction of a top drive telescopic efficient long-reach double drilling rig, which was commissioned in the first quarter of 2011, $2.7 million relates to rig upgrades and equipment and $0.3 million relates to construction of a pressure truck in the production services segment.

	December 31, 2009		
	Cost	Accumulated depreciation	Net book value
Production service	$ 5,380	$ 37	$ 5,343
Shop and office equipment	61	2	59
Vehicles under capital lease	12	-	12
	$ 5,453	$ 39	$ 5,414

5. Goodwill and intangible assets

	Drilling contracts	Goodwill
January 1, 2010	$ -	$ -
Additions (Note 3)	565	29,117
Amortization	(565)	-
December 31, 2010	$ -	$ 29,117

Drilling contracts with favourable terms were acquired as part of the acquisitions of Cedar Creek and Horizon on March 18, 2010. These intangible assets have been identified and recorded at their fair values as of the date of the acquisition. As at December 31, 2010, the drilling contracts were fully amortized.

Goodwill on the Pantera acquisition is attributable to the exchange ratio between Western's common shares and Pantera's income trust units being negotiated based on a value of $0.21 per Western common share, however the consideration exchanged was valued based on a price per Western common share of $0.33, representing the price immediately before closing the acquisition. This resulted in additional consideration of approximately $27.1 million, and a corresponding increase in the goodwill recognized. None of the goodwill recognized is expected to be deductible for income tax purposes. At December 31, 2010, an impairment test was performed on goodwill using management's best estimate of discounted future cash flows. The test indicated that the fair value exceeded the carrying amount. As such, Western determined that there was no impairment of goodwill as at December 31, 2010.

6. Long term debt

	December 31, 2010	December 31, 2009
Revolving credit facility	$ 45,000	$ -
Bank loans - mortgages	1,111	-
Capital lease obligations	456	22
	46,567	22
Less: current portion	(513)	(5)
Total	$ 46,054	$ 17

On December 15, 2010, Western announced the increase and syndication of 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 December 31, 2010, the Company had $20.0 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 will 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. The credit facilities are secured by the assets of the Company.

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 December 31, 2010, the Company is in compliance with all covenants related to its credit facilities. During the year ended December 31, 2010, the Company incurred interest and financing costs of approximately $0.9 million (January 1, 2009 to December 22, 2009 - $0.1 million, December 23, 2009 to December 31, 2009 - nil) on its long term debt. The Company incurred an average interest rate of 4.27% (January 1, 2009 to December 22, 2009 – 5.1%. December 23, 2009 to December 31, 2009 – nil).

7. Common shares

a. Authorized

Unlimited number of common shares.

b. Issued

Common shares	Shares		Amount
Balance, December 31, 2008	32,246,405	$	14,554
Private placement - December 22, 2009 (Note 1)	87,500,000		7,000
Issued on reorganization - December 22, 2009 (Note 1)			
Issued on conversion of debt	11,875,425		950
Issued on conversion of share subscriptions	410,000		33
Issue costs	-		(298)
Comprehensive revaluation (Note 1)	-		(13,986)
Balance, December 31, 2009	132,031,830	$	8,253
Issued for cash - March 18, 2010	375,000,000		75,000
Issued on acquisition of Cedar Creek (Note 3(iii))	20,517,331		6,155
Issued on acquisition of Pantera (Note 3(i))	226,069,721		74,603
Issue costs	-		(4,116)
Balance, December 31, 2010	753,618,882	$	159,895

c. Stock option plan

The Company's stock option plan provides for stock options to assist 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 common shares as stock options.

	Stock options outstanding		Weighted average exercise price
Balance, December 31, 2008	452,083	$	2.390
Expired / Forfeited	(282,080)		2.410
Balance, December 31, 2009	170,003		2.370
Granted	22,300,000		0.285
Expired / Forfeited	(1,818,336)		0.479
Balance, December 31, 2010[1]	20,651,667	$	0.285

[1] Diluted weighted average common shares outstanding for year ended December 31, 2010 does not include the share impact of 20,651,667 share options, as the impact would be anti-dilutive.

Exercise price ($/share)	Number of options outstanding	Weighted average remaining contractual life (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

The average fair value of the stock options granted in 2010 was $0.11 per stock option at an exercise price of $0.285 per stock option. For the year ended December 31, 2010, the Company recorded approximately $0.6 million in stock-based compensation expense. The accounting fair value as at the date of grants for the year ended December 31, 2010 is calculated in accordance with a Black-Scholes model using the following inputs:

Weighted average risk-free interest rate	2%
Average expected life	3.0 years
Expected dividend	nil
Expected share price volatility	60%

d. Warrants

	Warrants outstanding		Weighted average exercise price
Balance, December 31, 2008	2,548,805	$	1.920
Expired	(2,548,805)		1.920
Granted, December 22, 2009	50,500,000		0.105
Balance, December 31, 2010 and 2009	50,500,000	$	0.105

Pursuant to the private placement completed on December 22, 2009, 50,500,000 warrants were issued entitling the holder to purchase one common share at a price of $0.105 for a period of five years (see Note 1).

8. Commitments

The Company has commitments for office and shop premises and various operating vehicles and equipment leases which require payments for the next five years as follows:

	2011	2012	2013	2014	2015 and beyond	Total
Operating leases	$ 1,626	$ 1,241	$ 1,000	$ 575	$ -	$ 4,442
Capital commitments	3,649	16	-	-	-	3,665
Purchase commitments	389	-	-	-	-	389
Total	$ 5,664	$ 1,257	$ 1,000	$ 575	$ -	$ 8,496

9. Financial instruments

The Company's consolidated financial instruments include cash, accounts receivable, investments, accounts payable and accrued liabilities, and long term debt. Cash and investments are carried at fair value. The carrying amount of accounts receivable and accounts payable and accrued liabilities approximates their fair values due to their short term nature. The long term debt is recorded at amortized cost, but as there are no transaction costs associated with our bank debt and the financing costs are included in deferred charges, there is no difference between the carrying value and the fair value.

a. Interest rate risk

The Company is exposed to interest rate risk on certain debt instruments to the extent of changes in the prime interest rate. Currently the Company's credit facilities are subject to interest rate changes. For the credit facilities, a one percent change in interest rates would have an approximately $0.1 million impact on interest expense for the year ended December 31, 2010. Other long term debt, such as capital leases, are subject to fixed rates.

b. Foreign exchange risk

The Company is exposed to foreign currency fluctuations in relation to its US dollar capital expenditures and international operations. Periodically, the Company enters into forward foreign exchange contracts to mitigate the impact of foreign exchange fluctuations. At December 31, 2010, Western had forward foreign exchange contracts outstanding totalling US $1.0 million, which were settled in January 2011. The fair value of these contracts at December 31, 2010 was nominal. For the year ended December 31, 2010, the increase or decrease in net income 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.

c. 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 accounts receivable. 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 December 31, 2010, approximately 98% of the Company's trade accounts receivable are less than 90 days old. During the year ended December 31, 2010, there have been no significant changes to the allowance for doubtful accounts.

The table below provides an analysis of our accounts receivable aging:

		December 31, 2010
Trade accounts receivable		
Current	$	14,897
Outstanding for 31 to 60 days		11,562
Outstanding for 61 to 90 days		2,718
Outstanding for over 90 days		470
Less: allowance for doubtful accounts		(100)
Other accounts receivable		1,674
Total	$	31,221

Other accounts receivable consists mainly of input tax credits of approximately $0.8 million and accrued revenues of approximately $0.8 million. For the year ended December 31, 2010, the Company had one significant customer comprising 16.3% of total revenue. No other single customer represents greater than 10% of the Company's total revenue for the year ended December 31, 2010.

d. Liquidity risk

Liquidity risk is the risk the Company will not 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 (See Notes 6 and 8).

e. Fair value

Financial assets and liabilities recorded at fair value in the consolidated balance sheet are categorized based upon the level of judgment 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 value 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 investments are the only financial assets or liabilities measured using fair value. The Company's cash and investments are categorized as level 1 as there are quoted prices in an active market for these instruments.

10. Capital management

The capital structure of the Company consists of cash, credit facilities, other current and long term debt instruments and common shares. The overall capitalization of the Company is outlined below:

	December 31, 2010	December 31, 2009
Credit facilities	$ 45,000	$ -
Bank loans - mortgages	1,111	-
Capital lease obligations	456	22
Total debt	46,567	22
Shareholders' equity	187,322	8,077
Less: cash	(3,475)	(2,386)
Total capitalization	$ 230,414	$ 5,713

Management is focused on several objectives while managing the capital structure of the Company. Specifically:

a. Ensuring Western has the financing capacity to continue to execute on opportunities to increase overall market share through strategic acquisitions that add value for our shareholders;
b. Maintaining a strong capital base to ensure that investor, creditor and market confidence is secured;
c. Maintaining balance sheet strength, ensuring Western's strategic objectives are met, while retaining an appropriate amount of leverage; and
d. 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.

Western 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 credit facilities, issuing new debt or equity securities when opportunities are identified and through the disposition of underperforming assets to reduce debt. As at December 31, 2010, the Company had $30.0 million in available credit under its credit facilities and is in compliance with all debt covenants (see Note 6).

11. Income taxes

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to income (loss) before income taxes. The major components of these differences are explained as follows:

	After comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation
	Year ended December 31, 2010	December 23, 2009 to December 31, 2009	January 1, 2009 to December 22, 2009
Income (loss) from continuing operations before taxes	$28,648	$ (1,975)	$ (3,934)
Corporate income tax rate	28%	29%	29%
Expected tax expense (recovery)	$ 8,021	$ (573)	$ (1,141)
Increase (decrease) in future income taxes resulting from:			
Non-deductible interest and penalties	-	-	50
Gain on business acquisitions	(5,503)	-	-
Non-deductible expenses	866	532	28
Permanent differences relating to goodwill impairment	-	-	174
Change in effective tax rate on temporary differences	(854)	-	263
Change in estimates	(582)	-	-
Other	(83)	32	115
Change in valuation allowance	(1,328)	9	561
Income tax expense	$ 537	$ -	$ 50

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The components of Western's future income tax assets and liabilities are as follows:

	After comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation
Nature of temporary differences	December 31, 2010	December 31, 2009	December 22, 2009
Property and equipment	$ (15,621)	$ 2,725	$ 2,715
Non-capital losses	14,032	60	61
Share issue costs and finance fees	912	133	133
Other	83	-	-
	(594)	2,918	2,909
Valuation allowance	(3,341)	(2,918)	(2,909)
Net future income tax liability	$ (3,935)	$ -	$ -

As at December 31, 2010, the Company has non-capital losses from continuing operations available for carry forward totaling $54.6 million (2009 - $0.2 million), of which $51.4 million (2009 - $0.2 million) relates to Canadian entities, and $3.2 million (2009 – nil) relates to an entity in the United States. The unused tax losses may be applied to reduce future taxable income and future income taxes payable, and will expire as follows:

2011	$	-
2012		-
2013		-
2014		-
2015 and beyond		54,628
Total	$	54,628

12. Segmented information

As at December 31, 2010, Western operates in two main industry segments, Contract Drilling and Production Services. Subsequent to the discontinuation of the United States and international geographic operations (Note 13), the Company only operates in the Canadian geographic region. Contract drilling includes drilling rigs along with related equipment. Production services include various oilfield services relating to stimulation and fluid pumping, nitrogen services, specialty solvents and laboratory services. Segment profit (loss) is calculated by taking each segment's revenue, less operating, general and administrative and depreciation expenses.

After comprehensive revaluation Year ended December 31, 2010		Contract Drilling [1]		Production Services		Corporate		Total
Continuing operations:								
Revenue	$	56,009	$	11,534	$	-	$	67,543
Segment profit (loss)		14,712		2,271		(4,098)		12,885
Depreciation		5,835		759		89		6,683
Total assets		249,685		13,302		1,600		264,587
Goodwill		29,117		-		-		29,117
Expenditures on capital items	$	20,976	$	3,308	$	306	$	24,590

[1] Contract drilling segment acquired on March 18, 2010 (Note 3).

After comprehensive revaluation December 23, 2009 to December 31, 2009		Contract Drilling		Production Services		Corporate		Total
Continuing operations:								
Revenue	$	-	$	151	$	-	$	151
Segment loss		-		(14)		(126)		(140)
Depreciation		-		38		-		38
Total assets		-		9,109		201		9,310
Expenditures on capital items	$	-	$	-	$	-	$	-

Before comprehensive revaluation January 1, 2009 to December 22, 2009	Contract Drilling	Production Services	Corporate	Total
Continuing operations:				
Revenue	$ -	$ 3,785	$ -	$ 3,785
Segment loss	-	(1,270)	(1,575)	(2,845)
Depreciation	-	1,652	(1)	1,651
Total assets	-	8,972	80	9,052
Expenditures on capital items	$ -	$ 99	$ -	$ 99

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

	Year ended December 31, 2010	December 23, 2009 to December 31, 2009	January 1, 2009 to December 22, 2009
Continuing operations:			
Total segment profit (loss)	$ 12,885	$ (140)	$ (2,845)
Add (deduct):			
Amortization of intangibles	(565)	-	-
Stock-based compensation	(554)	(1,835)	-
Loss on sale of assets	(139)	-	(608)
Interest and finance costs	(887)	-	(85)
Foreign exchange gain (loss)	(159)	-	203
Goodwill impairment	-	-	(599)
Acquisition costs	(1,586)	-	-
Gain on business acquisitions	19,653	-	-
Income (loss) from continuing operations before taxes	$ 28,648	$ (1,975)	$ (3,934)

13. Discontinued operations

During the second quarter of 2010, the Company determined its United States and international production services divisions 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.

	Year ended December 31, 2010	December 23, 2009 to December 31, 2009	January 1, 2009 to December 22, 2009
Revenue from discontinued operations	$ 55	$ 33	$ 1,677
Net loss before tax from discontinued operations	$ (971)	$ (36)	$ (1,921)
Income tax expense	91	-	583
Net loss from discontinued operations	$ (1,062)	$ (36)	$ (2,504)

The following table provides additional information with respect to amounts included in the December 31, 2010 and 2009 balance sheets as assets and liabilities of discontinued operations:

	December 31, 2010	December 31, 2009
Current assets:		
Accounts receivable	$ 34	$ 906
Prepaid expenses	4	106
Total current assets	38	1,012
Long term assets:		
Property and equipment	28	1,897
Total long term assets	$ 28	$ 1,897
Current liabilities:		
Accounts payable and accrued liabilities	$ 476	$ 1,520
Total current liabilities	476	1,520
Long term liabilities:		
Long term debt	-	48
Total long term liabilities	$ -	$ 48

The cash flows from discontinued operations for periods ended December 31, 2010, December 31, 2009 and December 22, 2009 are as follows:

	Year ended December 31, 2010	December 23, 2009 to December 31, 2009	January 1, 2009 to December 22, 2009
Operating activities:			
Net loss	$ (1,062)	$ (36)	$ (2,504)
Items not affecting cash:			
Depreciation	3	8	812
Loss on sale of assets	1	-	179
Goodwill impairment	-	-	113
Unrealized foreign exchange gain	(80)	-	(458)
Gain on debt settlement	-	-	(245)
Net change in non-cash working capital	174	16	556
	(964)	(12)	(1,547)
Investing activities:			
Proceeds on sale of property and equipment	1,694	-	2,684
Additions of property and equipment	-	-	(182)
	1,694	-	2,502
Financing activities:			
Repayment of long term debt	(164)	-	(292)
	(164)	-	(292)
Increase (decrease) in cash and cash equivalents	$ 566	$ (12)	$ 663

14. Related party transactions

Western sold auxiliary drilling equipment acquired as part of the Impact acquisition, via a bid process, for $2.6 million to a company that shares common directors with Western. The transaction was in the normal course of operations and has been measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties and which, in the opinion of management, are considered similar to those negotiable with third parties.

15. Subsequent events

On January 5, 2011, Western purchased a mechanical, telescopic double drilling rig from a private company for $7.0 million, which was financed entirely through debt.

On March 29, 2011, Western completed a public offering for 192,500,000 common shares at a price of $0.39 per share for gross proceeds of approximately $75.1 million. On April 1, 2011, the underwriters of the 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. The underwriters were paid commissions of approximately $4.3 million with respect to that public offering. Western will use the proceeds for working capital requirements and to temporarily reduce bank indebtedness under its credit facilities, which may be subsequently redrawn and applied as needed to fund Western's general working capital purposes and strategic acquisitions of assets or businesses.

On March 31, 2011, Western sold auxiliary drilling equipment for approximately $2.5 million.

On April 7, 2011, the Company announced that it had entered into an Arrangement Agreement whereby, subject to certain conditions, the Company will acquire 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 $245 million, including the assumption of approximately $53 million in debt and transaction costs. A portion of the consideration will be paid for in shares of the Company at an ascribed value of $0.39 per Western share. In accordance with IFRS 3, *Business Combinations*, the actual consideration will be determined based on the closing price of Western's shares immediately before the acquisition. The transaction is expected to be completed by way of a Plan of Arrangement under the Business Corporations Act of Alberta and is subject to normal stock exchange, court and regulatory approvals and the approval by at least 66 2/3 percent of the outstanding units of Stoneham voted at the special meeting. A special meeting of the unitholders of Stoneham will be held in mid-June to vote on the transaction.