Western Energy Services Corp.
Management's Discussion and Analysis

The following discussion of the financial condition, changes in financial condition and results of operations of Western Energy Services Corp. (the "Company" or "Western") should be read in conjunction with the audited annual consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2010 and 2009, and the related notes included therein. This management's discussion and analysis ("MD&A") is dated April 13, 2011.

Selected Financial Information

(stated in thousands of Canadian dollars, except share and per share amounts)	After comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation	After comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation
Financial Highlights	**Three months ended Dec 31, 2010**	**Dec 23, 2009 to Dec 31, 2009**	**Oct 1, 2009 to Dec 22, 2009**	**Year ended Dec 31, 2010**	**Dec 23, 2009 to Dec 31, 2009**	**Jan 1, 2009 to Dec 22, 2009**
Revenue	30,509	151	999	67,543	151	3,785
EBITDA[(1)]	10,392	(102)	(636)	19,568	(102)	(1,194)
Cash from operating activities from continuing operations	3,943	(424)	1,436	10,901	(424)	(1,218)
Capital expenditures	14,181	-	58	24,590	-	99
Net income (loss) from continuing operations	5,971	(1,975)	(1,051)	28,111	(1,975)	(3,984)
-basic and diluted net income (loss) per share	0.01	(0.01)	(0.03)	0.06	(0.01)	(0.12)
Net income (loss)	5,887	(2,011)	(2,840)	27,049 [(2)]	(2,011)	(6,488)
-basic and diluted net income (loss) per share	0.01	(0.02)	(0.09)	0.06	(0.02)	(0.20)
Weighted average number of shares						
-basic	564,408,355	132,031,830	32,246,405	454,485,404	132,031,830	32,246,405
-diluted	595,395,650	132,031,830	32,246,405	485,414,516	132,031,830	32,246,405
Outstanding common shares as at period end	753,618,882	132,031,830	132,031,830	753,618,882	132,031,830	132,031,830
Dividends declared	-	-	-	-	-	-

Operating Highlights	**Three months ended Dec 31, 2010**	**Dec 23, 2009 to Dec 31, 2009**	**Oct 1, 2009 to Dec 22, 2009**	**Year ended Dec 31, 2010**	**Dec 23, 2009 to Dec 31, 2009**	**Jan 1, 2009 to Dec 22, 2009**
Contract Drilling						
Contract drilling rig fleet:						
-Average	16.1	-	-	13.1 [(4)]	-	-
-End of period	22.0	-	-	22.0	-	-
Drilling revenue per operating day	27,487	-	-	25,349 [(3)]	-	-
Drilling rig utilization rate	65%	-	-	58% [(4)]	-	-
CAODC industry average utilization rate	50%	-	-	37% [(4)]	-	-
Production Services						
Jobs completed	885	44	315	2,951	44	1,300
Average revenue per job completed	4,435	3,422	3,170	3,909	3,422	2,912

Financial Position at	**December 31, 2010**	**December 31, 2009**
Working capital	15,117	831
Property and equipment	195,286	5,414
Total assets	264,653	12,219
Long term debt	46,054	17

(1) Non-GAAP measure. See page 2.
(2) Includes a $19.7 million non-recurring gain on acquisitions.
(3) Includes shortfall commitment revenue of $1.2 million on a take-or-pay contract.
(4) Calculated from the date of acquisition of the Contract Drilling segment (March 18, 2010). Utilization rate calculated on a spud to rig release basis.

Non-GAAP Measures

Western uses certain measures in this MD&A which do not have any standardized meaning as prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company.

EBITDA

Management believes that in addition to net income (loss) from continuing operations, earnings from continuing operations before interest and finance costs, taxes, depreciation, amortization of intangibles, goodwill impairment, loss on sale of assets, gain on business acquisitions, stock-based compensation, acquisition costs and foreign exchange gain (loss) ("EBITDA") as derived from information reported in the Consolidated Statements of Operations is a useful supplemental measure as it provides an indication of the results generated by Western's principal business activities prior to consideration of how those activities are financed, the impact of foreign exchange, how the results are taxed, how funds are invested, how non-cash charges, and one-time gains or losses affect results.

Operating Earnings (Loss)

Management believes that in addition to net income (loss) from continuing operations, operating earnings (loss) is a useful supplemental measure as it provides an indication of the results generated by the Company's principal operating segments prior to consideration of how those activities are financed or how the results are taxed.

The following table provides a reconciliation of net income (loss) under GAAP as disclosed in the Consolidated Statements of Operations to EBITDA and Operating Earnings (Loss).

	After comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation	After comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation
(stated in thousands of Canadian dollars)	**Three months ended Dec 31, 2010**	**Dec 23, 2009 to Dec 31, 2009**	**Oct 1, 2009 to Dec 22, 2009**	**Year ended Dec 31, 2010**	**Dec 23, 2009 to Dec 31, 2009**	**Jan 1, 2009 to Dec 22, 2009**
EBITDA	10,392	(102)	(636)	19,568	(102)	(1,194)
Depreciation	2,659	38	347	6,683	38	1,651
Operating earnings (loss)	7,733	(140)	(983)	12,885	(140)	(2,845)
Amortization of intangibles	375	-	-	565	-	-
Stock-based compensation	188	1,835	-	554	1,835	-
Loss on sale of assets	128	-	606	139	-	608
Interest and finance costs	366	-	(152)	887	-	85
Foreign exchange loss (gain)	287	-	(436)	159	-	(203)
Acquisition costs	1,141	-	-	1,586	-	-
Gain on business acquisitions	161	-	-	(19,653)	-	-
Goodwill impairment	-	-	-	-	-	599
Current income taxes	-	-	50	-	-	50
Future income taxes	(884)	-	-	537	-	-
Net income (loss) from continuing operations	5,971	(1,975)	(1,051)	28,111	(1,975)	(3,984)

Overall Performance and Results of Operations

Western 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. ("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").

The drilling industry in Canada has continued to see improved activity throughout 2010, specifically the demand for rigs that have the ability to drill long reach horizontal wells safely and efficiently. Since Western acquired the contract drilling segment on March 18, 2010, utilization averaged 58% as compared to an industry average of 37%.

Although the price for natural gas remains soft, oil prices on average have increased by 18% over 2009 levels. This has resulted in a 45% increase in the number of wells spudded in Canada in 2010 relative to 2009. The increased demand for oil, along with an emphasis on liquids rich natural gas, has primarily resulted in the drilling of horizontal wells in both conventional and unconventional resource plays. During 2010, Western's entire drilling fleet has been drilling horizontal wells.

In Western's production services segment, formations such as the Bakken, Cardium, and Montney continue to see increased demand for fracturing and pressure pumping services. As unconventional light and heavy oil plays continue to require more involved completions, demand for Western's production services continues to grow. Going forward the Company's focus will be on specializing in providing small to medium size acid and solvent packages. This focus will allow the Company to offer a complete package of transportation, pumping and chemical services in western Canada.

The key operational results for the fourth quarter 2010 are:

- On December 17, 2010, Western acquired all of the issued and outstanding units of Pantera Drilling Income Trust ("Pantera") in exchange for shares of Western. Pantera unitholders received 21.9048 common shares of Western for each income trust unit of Pantera held, resulting in the issuance of approximately 226 million Western shares. The total transaction value is approximately $93.2 million, including the assumption of debt and an ascribed value of $0.33 per Western share, which was the price of Western's shares immediately before closing. Upon completion of the transaction, current Western shareholders own approximately 72% of the combined entity and Pantera unitholders collectively own approximately 28% on a fully diluted basis. The Pantera assets consist of the following:
  - 5 telescopic Efficient Long-Reach ("ELR") doubles with a depth rating of 3,600 metres;
  - 1 telescopic ELR double with a depth rating of 3,000 metres;
  - 1 telescopic single rig with a depth rating of 1,600 metres;
  - 3 top drives; and
  - Spare tubulars, matting and ancillary equipment.
- On December 15, 2010, Western syndicated its credit facilities and increased the aggregate limit from $50 million to $75 million. The credit facilities now consist of a $65 million committed 364 day extendible revolving credit facility and a $10 million demand operating credit facility. The credit facilities require interest to be paid monthly with no scheduled principal repayments unless the 364 day extendible revolving credit facility is not extended. The extension date ("Term-Out Date") is December 13, 2011. If not extended, the revolving credit facility is capped and is 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.

- Fourth quarter revenues increased by $29.4 million to $30.5 million in 2010 as compared to $1.1 million in 2009 ($1.0 million and $0.1 million before and after the comprehensive revaluation respectively). The increase reflects the acquisitions completed by Western in the contract drilling segment in 2010, which contributed $26.6 million in revenue in the fourth quarter as average revenue per operating day in the fourth quarter was $27,487 and the utilization rate averaged 65% as compared to the industry average of 50%. The remaining $2.8 million increase in revenue is due to increased utilization and improved pricing in Western's production services segment which completed 147% more jobs in the fourth quarter of 2010 at an average revenue per job 39% higher than in the fourth quarter of 2009.

- Fourth quarter EBITDA (see non-GAAP measures on page 2) totalled positive $10.4 million in 2010, as compared to negative $0.7 million in 2009 (negative $0.6 million and negative $0.1 million before and after the comprehensive revaluation respectively). The $11.1 million increase in EBITDA is due to the acquisitions completed by Western in the contract drilling segment in 2010, which collectively contributed $10.9 million to EBITDA in the fourth quarter of 2010 (or 41% of contract drilling revenue). EBITDA in the production services segment totalled $1.1 million in the fourth quarter of 2010 (or 27% of production services revenue), an increase of $0.8 million over the prior year, which was offset by an increase in corporate general and administrative costs.

- Corporate general and administrative expenses in the fourth quarter increased by $0.6 million to $1.6 million in 2010, as compared to $1.0 million in 2009 ($0.9 million and $0.1 million before and after the comprehensive revaluation respectively). The increase is due to higher staffing levels and costs associated with Western's continued consolidation efforts in the Canadian oilfield service industry.

- Net income from continuing operations in the fourth quarter of 2010 totalled $6.0 million as compared to a net loss of $3.0 million in 2009 (net losses of $1.0 million and $2.0 million before and after the comprehensive revaluation respectively). The $9.0 million increase in net income in the fourth quarter of 2010 reflects operating earnings from the contract drilling segment of $8.5 million, a $1.0 million increase in operating earnings in the production services segment, offset by a $0.5 million increase in corporate and other costs.

- Fourth quarter capital expenditures totalled $14.2 million in 2010, while asset sales totalled $2.8 million. The majority of the capital expenditures incurred in the fourth quarter related to the contract drilling segment, which spent $13.8 million in the period. These expenditures mainly related to the construction of a telescopic ELR double drilling rig commissioned in the first quarter of 2011 as well as upgrades to the rigs acquired from Impact Drilling Ltd. ("Impact").

The key operational results for the year ended December 31, 2010 are:

- On March 18, 2010, Western completed a public offering of 375 million common shares at a price of $0.20 per share for gross proceeds of $75 million. Concurrent with the closing of this equity offering, Western completed the acquisition of Horizon for total consideration of approximately $65.7 million, including the assumption of $24.2 million in debt, and the acquisition of Cedar Creek Drilling Ltd. ("Cedar Creek") for consideration of approximately 20.5 million Western shares at an ascribed value of $0.30 per Western share, which was the price of Western shares immediately before closing, and the assumption of approximately $12.6 million in debt. Each of Horizon and Cedar Creek were, at the time of acquisition, privately held companies engaged in the operation of contract drilling rigs in the western Canadian sedimentary basin. The Horizon assets consist of the following:
    - 2 AC triples with a depth rating of 4,500 metres and 1,200 hp drawworks;
    - 4 AC Range III singles with a depth rating of 3,000 metres and 1,100 hp drawworks;
    - 1 AC Range III single with a depth rating of 2,000 metres and 600 hp drawworks; and
    - 1 conventional single with a depth rating of 1,200 metres and 350 hp drawworks.

All of the drilling rigs acquired from Horizon have top drives and are capable of drilling horizontal wells. In addition, the Horizon assets include 3 surface setter rigs, 2 rig camps, an office and shop facility and additional rig equipment. The Cedar Creek assets include 3 telescopic double drilling rigs with a depth rating of 3,600 metres and 750 hp drawworks. All of the Cedar Creek drilling rigs are well suited for horizontal drilling. In addition, the assets of Cedar Creek include a spare 1,000 hp triplex mud pump, an additional string of drill pipe and additional rig equipment.

- On August 25, 2010 Western, through its wholly owned subsidiary Horizon, acquired all of the outstanding securities of Impact by way of a plan of arrangement under the Business Corporations Act (Alberta). The total cost of the acquisition, including the assumption of debt, was approximately $19.8 million. The Impact assets consist of the following:
    - 3 Range III top drive telescopic single drilling rigs;
    - 1 top drive single drilling rig; and
    - Various ancillary drilling equipment.

  All four drilling rigs have top drives and pipe handling systems and are capable of drilling horizontal wells. Western has upgraded these drilling rigs to increase their horizontal depth capability to match comparable drilling rigs in the Western drilling fleet.

- Revenues increased by $63.6 million to $67.5 million in 2010 as compared to $3.9 million in 2009 ($3.8 million and $0.1 million before and after the comprehensive revaluation respectively). The increase reflects the acquisition of Horizon and Cedar Creek on March 18, 2010, the acquisition of Impact on August 25, 2010, and to a lesser extent the acquisition of Pantera on December 17, 2010 which collectively accounted for contract drilling revenue of $56.0 million in 2010. Since its acquisition on March 18, 2010, the contract drilling segment's revenue per operating day averaged $25,349 and the utilization rate averaged 58% as compared to the industry average of 37%. The remaining $7.6 million increase in revenue is due to increased utilization and improved pricing in Western's production services segment which completed 120% more jobs in 2010 at an average revenue per job 33% higher than in 2009.

- Western's EBITDA (see non-GAAP measures on page 2) was positive $19.6 million in 2010, as compared to negative $1.3 million in 2009 (negative $1.2 million and negative $0.1 million before and after the comprehensive revaluation respectively). The $20.9 million increase in EBITDA is due to the acquisition of Horizon and Cedar Creek on March 18, 2010, Impact on August 25, 2010, and to a lesser extent the acquisition of Pantera on December 17, 2010, which collectively contributed $20.5 million to EBITDA in 2010 (or 37% of contract drilling revenue). EBITDA in the production services segment totalled $3.0 million (or 26% of production services revenue), an increase of $2.6 million over the prior year, which was offset by an increase in corporate general and administrative costs.

- Corporate general and administrative expenses increased by $2.3 million to $4.0 million in 2010, as compared to $1.7 million in 2009 ($1.6 million and $0.1 million before and after the comprehensive revaluation respectively). The increase is due to higher staffing levels and costs associated with Western's continued consolidation efforts in the Canadian oilfield service industry.

- Net income from continuing operations in 2010 totalled $28.1 million as compared to a net loss of $6.0 million in 2009 (net losses of $4.0 million and $2.0 million before and after the comprehensive revaluation respectively). The increase in net income 2010 reflects operating earnings from the contract drilling segment of $14.7 million, a $3.6 million increase in operating earnings in the production services segment, and aggregate gains on the acquisitions of Horizon, Cedar Creek and Impact of $19.7 million, offset by a $3.9 million increase in corporate and other costs, including a $2.3 million increase in corporate general and administrative expenses and $0.5 million in future tax expense.

- Capital expenditures in 2010 totalled $24.6 million, while asset sales totalled $4.4 million. Capital expenditures in the contract drilling segment totalled $21.0 million, which included expenditures related to the construction of a telescopic ELR double drilling rig which was commissioned in the first quarter of 2011.

Capital expenditures in the production services segment totalled $3.3 million, including the purchase of 3 cementing and acidizing trucks during 2010, while corporate additions totalled $0.3 million.

- Subsequent to year end, 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.

- Subsequent to year end, 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.

Outlook

The drilling industry in Canada is moving towards drilling wells of increased complexity. Currently, the Company is the seventh largest drilling company in Canada with a fleet of twenty-four drilling rigs which are specifically suited for today's drilling environment. Horizon's ELR single rigs are specifically designed with integrated top-drives, triplex mud pumps, mechanized pipe handling equipment and range III tubulars. Horizon's telescopic ELR doubles are also of modern design including the necessary hook load capabilities, triplex mud pumps and are equipped with top-drives at the customer's request. Horizon's ELR triples are also designed with integrated top-drives, triplex mud pumps, mechanized pipe handling equipment including iron derrickman and range III tubulars.

With the strong market for oil and natural gas liquids, and the depressed market for natural gas, our customers are targeting oil and liquids-rich natural gas wells. Of the seventy-three wells drilled by the Company in the fourth quarter of 2010, 70% targeted oil, which is a trend that is expected to continue. The increased demand for oil and natural gas liquids has also led to an increase in the drilling of horizontal wells. During 2010, 42% of the wells drilled in western Canada were horizontal wells, representing a 43% increase over the prior year, all of which fits well with the Company's current rig fleet with respect to pumping capabilities, top-drive requirements, and depth capacities.

Currently the industry is experiencing a shortage of qualified people; however our fleet is fully crewed with qualified personnel. We believe our modern fleet and corporate culture will provide a distinct advantage in attracting qualified individuals. Horizon has a proven track record for delivering high quality equipment and well trained, highly skilled crews to its customers who rely on Horizon to drill increasingly complex long reach horizontal wells. As such, Horizon is well positioned for future growth.

During 2010, the Company's utilization rates have consistently been above industry average, due to our modern rig fleet, strong customer base, and solid reputation. We expect this trend to continue into 2011. Additionally, with the integration of Western's acquisitions throughout 2010, Horizon has been able to justify performance-based rates to our customers by delivering a solid product, adding capital and adapting to our changing customer needs. During the first quarter of 2011, Horizon's rig fleet was fully contracted resulting in utilization of 85%, continuing to exceed industry utilization by approximately 25%. Currently during spring break-up, which started near the end of March, Horizon has approximately 45% of the fleet working in this period which typically reflects low utilization.

As previously announced by the Company, total capital expenditures are expected to be approximately $50 million in 2011. Subsequent to the successful completion of the proposed acquisition of Stoneham, 2011 capital spending will be reassessed.

The Company has successfully integrated Horizon, Cedar Creek, Impact and Pantera, acquired an additional drilling rig from a private company early in 2011, as well as completed the construction of and crewed a fit for purpose telescopic ELR double drilling rig in the first quarter of 2011. By maintaining an above average utilization rate, improved contract drilling day rates and low personnel turnover, the Company has established a strong platform to be able to integrate future acquisitions.

Western continues to focus its efforts on consolidating within the Canadian oilfield service industry. Management believes the current market conditions in the Canadian oilfield service sector still provide opportunity to grow through acquisition and organic growth into three core business lines comprised of contract drilling, service rigs, and rental and production services.

Comprehensive revaluation

On December 22, 2009, the Company completed a recapitalization and reorganization involving a non-brokered private placement of $7.0 million, the conversion of the Company's existing bridge lending facility, subordinated convertible debentures (including the cancellation of the related common share purchase warrants) and other specified obligations into common shares of Western, and the appointment of a new board of directors and a new management team. This transaction resulted in a realignment of Western's equity and non-equity interests. Prior to the recapitalization, the Company faced the prospect of being unable to meet obligations to creditors due to its deteriorating financial position. The outcome of the recapitalization and reorganization was a significant de-leveraging of Western's balance sheet. Total debt was reduced to approximately $0.2 million, significantly improving Westerns financial position to meet current and future market challenges.

As a result of the realignment of equity and non-equity interests, Western's identifiable assets and liabilities were recorded at a new cost basis, being fair value, as required under Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1625 – "Comprehensive Revaluation of Assets and Liabilities". The process of undertaking such a comprehensive revaluation is commonly referred to as "fresh start accounting". The recapitalization and reorganization is described in Note 1 of our audited consolidated financial statements for the period ended December 31, 2010 as filed on SEDAR at www.sedar.com.

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 in the second quarter of 2010, the Company only operates in Canada. 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 Review of Contract Drilling Services

(stated in thousands of Canadian dollars)	Year ended Dec 31, 2010[1]	
Revenue	56,009	
Expenses		
Operating	33,108	
General and administrative	2,354	
EBITDA[2]	20,547	
Depreciation	5,835	
Operating earnings[2]	14,712	
Capital expenditures	20,976	
EBITDA as a percentage of revenue	37%	
Contract drilling rig fleet:		
-Average	13.1	(4)
-End of period	22.0	
Drilling revenue per operating day	25,349	(3)
Drilling rig operating days	2,210	(4)
Number of meters drilled	415,814	
Drilling rig utilization rate	58%	(4)
CAODC industry average utilization rate	37%	(4)

(1) Contract Drilling segment acquired March 18, 2010.

(2) Non-GAAP measure. See page 2.

(3) Includes shortfall commitment revenue of $1.2 million on a take-or-pay contract.

(4) Calculated from the date of acquisition of the Contract Drilling segment (March 18, 2010). Utilization rate and Drilling rig operating days are calculated on a spud to rig release basis.

With the acquisitions of Horizon and Cedar Creek on March 18, 2010, the Company began operations in its contract drilling segment with a fleet of 11 drilling rigs. On August 25, 2010, the Company completed the acquisition of Impact, which increased the drilling fleet by four to a total of 15 rigs. On December 17, 2010, the Company completed the acquisition of Pantera, which increased the drilling rig fleet by 7 to a total of 22 rigs. This aggressive growth strategy has resulted in the Company becoming the seventh largest contract drilling company in Canada. For the period March 18, 2010 to December 31, 2010, revenues from the contract drilling segment totalled $56.0 million reflecting average revenue per operating day of $25,349 and a utilization rate of 58%, as compared to the industry average of 37%. During 2010, the company drilled 165 wells for a total of 415,814 metres drilled.

For the period March 18, 2010 to December 31, 2010, contract drilling EBITDA of $20.5 million represents 37% of contract drilling revenue. The contract drilling segment's EBITDA as a percentage of contract drilling revenue reflects strong margins, above industry average utilization rates and $1.2 million of revenue related to commitment shortfalls on a take-or-pay contract.

For the period March 18, 2010 to December 31, 2010, capital expenditures in the contract drilling segment totalled $21.0 million, which was partially offset by the sale of certain property and equipment for proceeds of $2.9 million in the period. Of the capital expenditures incurred in the contract drilling segment $8.7 million relates to the construction of a fit for purpose telescopic ELR double drilling rig, which was commissioned in the first quarter of 2011, $4.4 million relates to upgrades completed on the rigs acquired from Impact, and $1.9 million relates to the purchase of heavy weight drill pipe, with the remaining capital spending relating to ancillary drilling and completion equipment. Asset sales mainly related to noncore assets acquired in the acquisition of Impact that were subsequently sold.

Segment Review of Production Services

(stated in thousands of Canadian dollars)	After comprehensive revaluation **Year ended Dec 31, 2010**	After comprehensive revaluation **Dec 23, 2009 to Dec 31, 2009**	Before comprehensive revaluation **Jan 1, 2009 to Dec 22, 2009**
Revenue	11,534	151	3,785
Expenses			
Operating	6,913	106	3,178
General and administrative	1,591	20	229
EBITDA[1]	3,030	25	378
Depreciation	759	38	1,650
Operating earnings[1]	2,271	(13)	(1,272)
Capital expenditures	3,308	-	99
EBITDA as a percentage of revenue	26%	17%	10%
Jobs completed	2,951	44	1,300
Revenue per job completed	3,909	3,422	2,912

(1) Non-GAAP measure. See page 2.

Production services revenue increased by $7.6 million, or 193%, to $11.5 million in 2010. The increase reflects improved demand for fluid and pumping services, an increase in the Company's customer base and increased customer confidence due in part to the change in management and recapitalization that was completed in December 2009. As a result, the number of jobs completed in 2010 increased by 120% to 2,951 as compared to 1,344 in 2009, coupled with a 33% improvement in the average revenue per job completed. During the third quarter of 2010, the Company successfully entered the southeast Saskatchewan market, which continues to provide positive operating results.

Production services EBITDA increased by $2.6 million, or 652%, to $3.0 million in 2010. The production services segment's EBITDA represents 26% of revenue as compared to 10% in the same period of the prior year. The increased EBITDA as a percentage of revenue reflects stronger margins as a result of improved operations management and efficiencies coupled with increased activity in the oil and gas industry.

During 2010, capital expenditures in the production services segment totalled $3.3 million, which was offset by the sale of certain noncore assets for total proceeds of $1.5 million. The production services segment's capital spending was focused on the acquisition of an additional 3 cementing and acidizing trucks in 2010, accounting for $1.5 million of the capital expenditures incurred.

Corporate

(stated in thousands of Canadian dollars)	After comprehensive revaluation Year ended Dec 31, 2010	After comprehensive revaluation Dec 23, 2009 to Dec 31, 2009	Before comprehensive revaluation Jan 1, 2009 to Dec 22, 2009
Expenses			
General and administrative	4,009	127	1,572
Stock-based compensation	554	1,835	-
Interest and finance costs	887	-	85
Acquisition costs	1,586	-	-
Gain on business acquisition	(19,653)	-	-
Depreciation	89	-	1
Capital expenditures	306	-	-

Corporate general and administrative expenses increased by $2.3 million to $4.0 million in 2010. The increase is due to higher staffing levels and costs associated with Western's initial recapitalization and continued consolidation efforts in the Canadian oilfield service industry.

Stock-based compensation expense recorded in 2010 relates to stock options granted in 2010. Stock-based compensation of $1.8 million was recorded in 2009 after the comprehensive revaluation relating to the issuance of 50.5 million warrants granted to management as part of the recapitalization of Western.

Interest and finance costs in 2010 totalled $0.9 million, which mainly relates to interest and finance costs incurred on Western's outstanding credit facilities.

With the early adoption of CICA Handbook Section 1582 effective January 1, 2010, acquisition costs and gains on business acquisitions are recorded through net income. In 2010, Western recorded acquisition costs of $1.6 million related to costs incurred on the acquisitions of Horizon, Cedar Creek, Impact and Pantera. Additionally, in 2010, Western recorded aggregate gains of $19.7 million on the acquisitions of Horizon, Cedar Creek and Impact.

Corporate depreciation expense of $0.1 million in 2010 relates to computer and office equipment used in Western's corporate head office.

Liquidity and Capital Resources

On March 18, 2010, Western completed a public offering of 375 million common shares at a price of $0.20 per share for gross proceeds of $75 million which was used to acquire Horizon and pay down the debt of Horizon and Cedar Creek. Each of Horizon and Cedar Creek were, at the time of acquisition, privately held companies engaged in the operation of contract drilling rigs in the western Canadian sedimentary basin. These acquisitions provided Western with immediate cash flow and key human resource capabilities.

On August 25, 2010, Western completed the acquisition of Impact for total consideration of $19.8 million, including the assumption of debt. The acquisition of Impact was funded entirely using Western's credit facilities.

On December 17, 2010, Western completed the acquisition of Pantera by issuing approximately 226 million common shares at an ascribed price of $0.33 per common share in exchange for all the issued and outstanding income trust units of Pantera and assumed approximately $18.6 million in debt.

On April 15, 2010, Western increased its credit facilities with its existing lender to $50 million from the previous limit of $6 million. On December 15, 2010, Western syndicated its credit facilities and increased the aggregate limit from $50 million to $75 million. The credit facilities now consist of a $65 million committed 364 day extendible revolving credit facility and a $10 million demand operating credit facility. The credit facilities require interest to be paid monthly with no scheduled principal repayments unless the 364 day extendible revolving credit facility is not extended. The extension date ("Term-Out Date") is December 13, 2011. If not extended, the revolving credit facility is capped and is 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. Amounts borrowed under the credit facilities bear interest at the Company's option of either 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. As at December 31, 2010, Western is in compliance with all covenants related to its credit facilities.

As at December 31, 2010, Western had a positive working capital balance of $15.1 million, an $8.7 million improvement from the $6.4 million balance as at September 30, 2010 and a $14.3 million improvement from the $0.8 million balance at December 31, 2009. The increase from September 30, 2010 is largely due to a $3.4 million increase in cash and reclassifying approximately $3.3 million from current portion of long term debt to long term debt upon increasing and syndicating Western's credit facilities. As well, the $15.3 million increase in accounts receivable was largely offset by a $15.0 million increase in accounts payable. Long term debt at December 31, 2010 was $46.1 million, a $25.4 million increase over the September 30, 2010 balance due to the acquisition of Pantera and increased capital spending in the fourth quarter of 2010, specifically on the construction of a top drive telescopic ELR double drilling rig which was commissioned during the first quarter of 2011, which was financed through a combination of operating cash flow and available lines of credit. Western expects cash from operating activities together with the credit available under the existing credit facilities will be sufficient to fund operations and the 2011 capital program. Western intends to continue to employ a conservative debt to annualized EBITDA ratio.

During 2010, Western generated operating cash flow from continuing operations of positive $10.9 million as compared to negative cash flow of $1.6 million in the same period of the prior year (negative $1.2 million and negative $0.4 million before and after the comprehensive revaluation). The increase in operating cash flow from continuing operations is mainly attributed to the acquisitions of Horizon and Cedar Creek on March 18, 2010, Impact on August 25, 2010, and to a lesser extent Pantera on December 17, 2010, which contributed operating cash flow in the contract drilling segment of $12.7 million in 2010, while operating cash flow contributed by Western's production services segment of $1.0 million was offset by negative cash flow from corporate activities of $2.8 million.

Subsequent to year end, 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.

During 2010, Western announced that it would be ceasing its current operations in the United States and internationally and has subsequently classified these as discontinued operations. Western has redeployed certain assets held in the United States to its Canadian operations and completed the sale of the remaining assets in the United States. During 2010, Western has completed asset sales of $4.4 million, including the sale of $1.7 million in U.S. assets.

Discontinued Operations

During the second quarter of 2010, management 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. Results from discontinued operations as follows:

	After comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation
(stated in thousands of Canadian dollars)	**Year ended Dec 31, 2010**	**Dec 23, 2009 to Dec 31, 2009**	**Jan 1, 2009 to Dec 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 consolidated balance sheets as assets and liabilities of discontinued operations.

(stated in thousands of Canadian dollars)	**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

Summary of Quarterly Results

In addition to other market factors, quarterly results of Western are markedly affected by weather patterns throughout its operating area in Canada. Historically, the first quarter of the calendar year is very active, followed by a much slower second quarter due to what is known in the Canadian oilfield service industry as spring break up. As a result of this, the variation on a quarterly basis, particularly in the first and second quarters, can be dramatic year-over-year independent of other demand factors. The following is a summary of selected financial information of the Company for the last eight completed quarters.

	After comprehensive revaluation					Before comprehensive revaluation			
Three months ended (stated in thousands of Canadian dollars, except per share amounts)	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009(1)	Dec 22, 2009(1)	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009
Revenue	30,509	19,320	13,396	4,318	151	999	921	607	1,258
EBITDA(2)	10,392	5,429	3,151	596	(102)	(636)	(226)	(365)	33
Cash from (used in) operating activities	3,153	3,129	3,813	(158)	(436)	(2,373)	(184)	25	(233)
Income (loss) from continuing operations	5,971	10,523	(30)	11,647	(1,975)	(1,051)	(1,507)	(1,020)	(406)
per share - basic	0.01	0.02	-	0.06	(0.01)	(0.03)	(0.05)	(0.03)	(0.01)
per share - diluted	0.01	0.02	-	0.05	(0.01)	(0.03)	(0.05)	(0.03)	(0.01)
Income (loss)	5,887	10,154	(98)	11,106	(2,011)	(2,840)	(1,650)	(897)	(1,101)
per share - basic	0.01	0.02	-	0.06	(0.02)	(0.09)	(0.05)	(0.03)	(0.03)
per share - diluted	0.01	0.02	-	0.05	(0.02)	(0.09)	(0.05)	(0.03)	(0.03)
Total assets	264,653	143,698	115,431	151,452	12,219	12,712	17,731	19,216	20,629
Long term financial liabilities	53,928	25,115	11,740	46,041	65	65	279	566	650
Dividends declared	-	-	-	-	-	-	-	-	-

(1) The fourth quarter of 2009 has been split into two periods to reflect Western's results before and after the comprehensive revaluation completed on December 22, 2009.

(2) Non-GAAP measure. See page 2.

Fourth Quarter 2010

Selected Financial Information			
(stated in thousands of Canadian dollars, except share and per share amounts)	After comprehensive revaluation	After comprehensive revaluation	Before comprehensive revaluation
Financial Highlights	**Three months ended Dec 31, 2010**	**Dec 23, 2009 to Dec 31, 2009**	**Oct 1, 2009 to Dec 22, 2009**
Revenue	30,509	151	999
EBITDA[1]	10,392	(102)	(636)
Cash from operating activities from continuing operations	3,943	(424)	1,436
Capital expenditures	14,181	-	58
Net income (loss) from continuing operations	5,971	(1,975)	(1,051)
-basic and diluted net income (loss) per share	0.01	(0.01)	(0.03)
Net income (loss)	5,887	(2,011)	(2,840)
-basic and diluted net income (loss) per share	0.01	(0.02)	(0.09)
Weighted average number of shares			
-basic	564,408,355	132,031,830	32,246,405
-diluted	595,395,650	132,031,830	32,246,405
Outstanding common shares as at period end	753,618,882	132,031,830	132,031,830
Dividends declared	-	-	-

Operating Highlights	**Three months ended Dec 31, 2010**	**Dec 23, 2009 to Dec 31, 2009**	**Oct 1, 2009 to Dec 22, 2009**
Contract Drilling			
Contract drilling rig fleet:			
-Average	16.1	-	-
-End of period	22.0	-	-
Drilling revenue per operating day	27,487	-	-
Drilling rig utilization rate	65%	-	-
CAODC industry average utilization rate	50%	-	-
Production Services			
Jobs completed	885	44	315
Average revenue per job completed	4,435	3,422	3,170

(1) Non-GAAP measure. See page 2.

During the fourth quarter of 2010, the Company's revenues increased by $29.4 million to $30.5 million as compared to $1.1 million in the same period of the prior year ($1.0 million and $0.1 million before and after the comprehensive revaluation respectively). Further, revenue increased by $11.2 million, or 58%, from the third quarter of 2010. The increase is mainly due to revenues in the contract drilling segment totalling $26.6 million in the fourth quarter reflecting an average revenue per operating day of $27,487 and a utilization rate of 65% as compared to the an industry average of 50%. This represents a significant improvement over the third quarter of 2010, when contract drilling revenues totalled $16.5 million reflecting an average revenue per operating day of $23,165 and a utilization rate of 61%. The 19% improvement in revenue per operating day in the fourth quarter, as compared to the third quarter, reflects higher day rates as industry demand increases and increased rental income heading into the winter drilling season. During the fourth quarter of 2010, production services revenue increased by $2.8 million, or 242%, to $3.9 million as compared to the same period in the prior year. The increase reflects improved market conditions in the oil and gas industry as well as improved customer confidence due in part to the change in management and recapitalization that was completed in December 2009. As a result, the number of jobs completed in the fourth quarter of 2010 increased by 147% to 885 as compared to 359 in the same period of the prior year, coupled with a 39% improvement in the average revenue per job completed as compared to the same period in the prior year.

During the fourth quarter of 2010, the Company's EBITDA increased by $11.1 million to positive $10.4 million, or 34% of consolidated revenue, from negative $0.7 million in the same period of the prior year ($0.6 million and $0.1 million before and after the comprehensive revaluation respectively). Further, EBITDA in the fourth quarter of 2010 increased by $5.0 million, or 91%, from the third quarter of 2010. EBITDA in the contract drilling segment totalled $10.9 million in the fourth quarter representing 41% of contract drilling revenue as compared to $5.6 million, or 34% of contract drilling revenue, in the third quarter. The increase in EBITDA reflects higher utilization, price increases and economies of scale realized on the integration of the Company's acquired in 2010. During the fourth quarter of 2010, production services EBITDA increased by $0.8 million, or 300%, to $1.1 million as compared to the same period in the prior year. The production services segment's EBITDA represents 27% of revenue as compared to 23% in the same period of the prior year. The increased EBITDA as a percentage of revenue reflects increased pricing as a result of improved operations management and efficiencies coupled with increased activity in the oil and gas industry.

During the fourth quarter of 2010, the Company's net income from continuing operations increased by $9.0 million to $6.0 million as compared to a net loss of $3.0 million in the same period of the prior year ($1.0 million and $2.0 million before and after the comprehensive revaluation respectively). The increase in net income reflects operating earnings from the contract drilling segment of $8.5 million and a $1.0 million increase in operating earnings in the production services segment, while increased corporate general and administrative expenses and other costs of $1.0 million together with costs on the acquisition of Pantera of $1.1 million were offset by a $1.6 million decrease in stock based compensation expense.

Capital expenditures in the fourth quarter of 2010 totalled $14.2 million, which was partially offset by the sale of certain property and equipment for proceeds of $2.8 million. Capital expenditures in the fourth quarter of the prior year, both before and after the comprehensive revaluation, were nominal. Of the capital spending incurred in the fourth quarter of 2010, $7.3 million relates to the construction of a fit for purpose telescopic ELR double drilling rig, which was commissioned in the first quarter of 2011, an additional $3.5 million relates to upgrades completed on the rigs acquired from Impact, with the remaining capital spending relating to ancillary equipment in both the contract drilling and production services segment.

Contractual Obligations

In the normal course of business, the Company incurs contractual obligations. The expected maturities of the Company's contractual obligations are as follows:

	Payments due by period				
(stated in thousands of Canadian dollars)	**Total**	**2011**	**2012 to 2013**	**2014 to 2015**	**2016 and beyond**
Operating leases	$ 4,442	$ 1,626	$ 2,241	$ 575	$ -
Capital commitments	3,665	3,649	16	-	-
Purchase commitments	389	389	-	-	-
Total	**$ 8,496**	**$ 5,664**	**$ 2,257**	**$ 575**	**$ -**

Outstanding Share Data

	April 13, 2011	December 31, 2010	December 31, 2009
Common shares outstanding	974,993,882	753,618,882	132,031,830
Warrants outstanding	50,500,000	50,500,000	50,500,000
Stock options outstanding	22,401,667	20,651,667	170,003

Off Balance Sheet Arrangements

As at December 31, 2010, Western had no off balance sheet arrangements in place.

Transactions with Related Parties

During the fourth quarter of 2010, 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 agreed upon sales price was deemed to be at fair value.

Changes in Accounting Policies

The following new Canadian accounting standards were released in 2009 with an effective date of January 1, 2011 with early adoption permitted. Western has elected to early adopt these standards effective January 1, 2010:

- Section 1582 "Business Combinations" requires most assets acquired and liabilities assumed, including contingent consideration to be measured at fair value and that all acquisition costs be expensed. The adoption of this standard impacted the accounting for the business combinations completed in 2010. See Note 3 of the December 31, 2010 audited financial statements filed on SEDAR at www.sedar.com.
- Section 1602 "Non-controlling Interests" requires that non-controlling interests be recognized as a separate component of equity and that net earnings be calculated without a deduction for non-controlling interest. The adoption of this standard did not have a material impact on the financial statements of the Company.
- Section 1601 "Consolidated Financial Statements" establishes standards for the preparation of consolidated financial statements. The adoption of this standard did not have a material impact on the financial statements of the Company.

Financial Instruments

Fair Values

The Company's cash and investments are the only financial assets or liabilities measured using fair value. Fair value is determined based on quoted prices in active markets for identical assets or liabilities.

Credit Risk

The Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risk.

Interest Rate Risk

The Company is exposed to interest rate risk on debt subject to floating interest rates.

Foreign Exchange Risk

The Company is exposed to foreign exchange fluctuations in relation to its United States and international operations, which were discontinued during 2010.

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.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA's Accounting Standards Board confirmed the transition timing for publicly accountable enterprises in Canada to adopt International Financial Reporting Standards ("IFRS"). Accordingly, the Company adopted IFRS on January 1, 2011, including reporting for interim periods in fiscal 2011.

The Company's transition project included three phases:

- Phase 1 – Diagnostic;
- Phase 2 – Development; and
- Phase 3 – Implementation.

A Project Management Team was set up and the Company engaged external advisers to assist with the transition. The project team has been involved in discussions with the Company's external auditors throughout this project. The project team has also held several IFRS information sessions for key internal stakeholders, management and the Audit Committee. These sessions provided an overview of the key IFRS standards that are expected to have the greatest impact to Western's business and the impact those changes are expected to have on Western's IFRS financial statements.

Western completed the Diagnostic phase in the third quarter of 2010, which involved a high level review of the major differences between current Canadian GAAP and IFRS and the creation of a project plan. The key areas that have the highest impact to the Company under IFRS include property and equipment; IFRS 1 - first time adoption of IFRS; financial statement presentation and disclosures; and asset impairments. Other areas that were affected by the transition to IFRS for Western include share-based payments, provisions, leases and income taxes. However, the quantitative impact of the differences in these areas are not anticipated to be material to Western's IFRS financial statements.

Western is currently in the process of completing the Development phase of the project and has moved into the Implementation phase in 2011. The project team is in the process of finalizing management recommendations on changes in accounting policies and receiving approval from the Audit Committee and the Board of Directors. As well, draft IFRS financial statements are currently being completed by the project team. Overall the project is on track and there are no issues anticipated in completing the project on time.

The following are key areas identified on the transition to IFRS:

Property and Equipment

The Company determined that accounting for property and equipment will be impacted on the transition to IFRS. Subject to the Board of Directors approval and review by Western's external auditors, management has designed an approach to determine how to componentize its property and equipment, determine assets lives and residual values for depreciation purposes. The Company has completed the implementation and testing of the applicable modifications to its accounting system to facilitate these proposed changes. It is anticipated that the change in depreciation from the application of componentization under IFRS will increase Western's consolidated depreciation expense by approximately 10% in 2010. The increase in depreciation expense is reflective of the componentization of the Company's drilling rigs into twenty-one components, where each component is assigned one of three different useful lives, which better reflect the shorter useful lives of specific assets on the rig. The increase in depreciation expense also includes the additional depreciation recognized on critical spare parts of equipment under IFRS which previously were not depreciated under Canadian GAAP.

Under IFRS, the Company can select either the cost model or the revaluation model as the measurement basis for property and equipment. Management has determined that the cost model is the most appropriate alternative for recognition and measurement of ongoing asset transactions after its transition to IFRS.

The deemed cost IFRS 1 exemption allows an entity to use the fair value as an asset's deemed cost for property and equipment on the transition date to IFRS. This exemption provides relief to entities from adjustments resulting from the retrospective application of IFRS for property and equipment as the deemed cost on transition effectively becomes the historical cost for the opening balance sheet under IFRS. The Company expects to use this exemption for its property and equipment assets on hand at transition. The anticipated financial statement impact on transition is expected to be limited given the application of fresh start accounting under Canadian GAAP in December 2009 when the Company's property and equipment balances were adjusted to their fair value at that time.

IFRS 1 – First-time Adoption of IFRS
Other IFRS 1 first-time adoption exemptions and elections available upon transition to IFRS which provide relief from retrospective application of IFRS that are being considered by the Company are as follows:

- Business combinations – the Company expects to elect to use Canadian GAAP for any business combinations that were completed prior to January 1, 2010;

- Share-based payment transactions – the Company expects to elect to use this exemption which allows any share-based payments vesting before January 1, 2010 to be exempt from IFRS 2 "Share-based Payment";

- Compound financial instruments – the Company expects to elect to use this exemption which allows an entity to use its Canadian GAAP accounting treatment for compound financial instruments which were settled prior to January 1, 2010.

Overall, the transition to IFRS is not expected to have any material adjustments to Western's financial statements or accounts on January 1, 2010. The Company has identified certain leases that have been classified as finance leases under IFRS versus an operating lease classification under Canadian GAAP. The quantitative impact of this change results in an increase to the Company's assets and liabilities on transition that is not considered significant. The Company does not expect to have any other adjustments on transition to IFRS due to the fact that fresh start accounting was applied under Canadian GAAP on December 22, 2009. Although the concept of fresh start accounting is not found or applicable under IFRS, the result of applying this Canadian GAAP concept was that the Company's balance sheet was fair valued on December 22, 2009 which limited the likelihood of accounting adjustments arising between IFRS and Canadian GAAP on the January 1, 2010 transition date. As well, selecting certain optional IFRS 1 exemptions also contributed to the minimal accounting differences on transition to IFRS for the Company.

Financial Statement Presentation and Disclosure
IFRS requirements for financial statement presentation and disclosure are currently being reviewed in conjunction with the preparation of draft IFRS financial statements and notes. Drafting of the first quarter 2011 IFRS-compliant financial statements will be completed in April and May of 2011.

Asset Impairments
Management is in the process of finalizing an approach for identifying cash-generating units, allocating goodwill and assessing the value in use of its assets. Given that fair values were assigned to the Company's assets in December 2009, together with a strong operational and financial performance by the Company in 2010, the associated impact of this standard on transition to IFRS and throughout 2010 is expected to be limited.

Other

Other areas where the Company expects quantitative adjustments between IFRS and Canadian GAAP to be present under IFRS include share-based payments, provisions and accounting for income taxes. Subject to the Board of Directors approval and review by Western's external auditors, the Company expects the following adjustments in the 2010 comparative period from its previously reported Canadian GAAP financial statements:

- The accounting difference relating to incorporating a forfeiture rate in the initial determination and recognition of stock-based payment expense under IFRS is expected to result in a decrease in the expense by approximately 5%. The offset of this decrease will flow through contributed surplus. The Company's previous accounting policy under Canadian GAAP was to account for forfeitures as they occur.
- An additional provision has been setup due to an onerous contract identified by the Company in 2010 and is not expected to be significant or material. The effect of this onerous contract will be an increase in the Company's liabilities and expense which will reverse over the remaining term of the contract.
- The impact of these other adjustments together with the adjustments to depreciation expense and property and equipment discussed above, are expected to decrease the consolidated tax expense and deferred tax liability in 2010 by approximately 10% to 15%.

Other Development and Implementation Phase Activities

Other activities integral to the Development and Implementation phase are as follows:

- Addressing the impact of proposed IFRS changes on its various information systems for internal and external reporting purposes;
- Preparing changes to existing business processes, if necessary;
- Providing the necessary training to key internal stakeholders;
- Monitoring the resultant impact on the Company's disclosure controls and procedures ("DC&P") as well as the Company's internal control over financial reporting ("ICFR"); and
- Monitoring corporate governance over the project.

Business Risks

The following business risks are applicable to the Company's business:

- Competition among related service companies is significant. Many competitors are substantially larger and have substantially greater revenues than the Company and overall greater financial resources. The Company's ability to generate revenues depends on its ability to attract and win contracts and to perform services.

- Currently the Company is focused on providing services in the western Canadian sedimentary basin, which exposes the Company to market fluctuations in specific locations which may be more extreme than the overall industry conditions.

- The success of the Company is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Company.

- The Company has a limited history of operations. Failure to achieve projected rates of market penetration or commercial acceptance could significantly affect its success.

- The Company's business is subject to the operating risks inherent to the oilfield service industry. On occasion, substantial liabilities to third parties may be incurred. The Company will have the benefit of insurance maintained by it and industry standard contracts, however, it may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

- The Company is vulnerable to market prices. Fixed costs, including costs associated with operations, leases, labour costs and depreciation account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, or other factors could significantly affect its revenues and financial results.
- The Company's business relies on the oil and gas exploration and production industry which is subject to a number of risks. General economic conditions, fluctuations in demand and supply of production components, fluctuations in commodity prices, competition and increases in operating costs are some of them. In addition, changes may occur in government regulation, including regulations relating to prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and natural gas and environmental protection for the oil and gas industry as a whole. Risks affecting the oil and gas exploration and production business may also affect the Company's business. The exact effect of these risks cannot be accurately predicted.
- The oilfield services industry has experienced a high degree of invention and innovation. It is possible that new technology will be developed which will compete with the Company's products and services.
- A portion of the operations of the Company, and all of the discontinued operations of the Company, are in the United States and Mexico which subject the Company to currency fluctuations and different tax and regulatory laws.

Forward-looking statements

Certain statements contained in this Management Discussion and Analysis constitute forward-looking statements or information. These statements relate to future events or future performance of Western. All Statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should', "believe" and similar expressions are intended to identify forward-looking statements.

In particular, such forward-looking statements include: in the last paragraph under the heading Overall Performance and Results of Operations - the statements "Subsequent to year end, 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." and "The transaction is expected to be completed by way of Plan of Arrangement under the Business Corporations Act of Albert 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 votes at the special meeting. A special meeting of the unitholders of Stoneham will be held in mid-June to vote on the transaction". The foregoing statements assume completion of the plan of arrangement transaction with Stoneham (the "Transaction"). Readers are cautioned that there are a number of conditions that must be met, including the approval of the security holders of Stoneham before the Transaction can be completed. There is no assurance that all of the conditions to the Transaction will be met and therefore there is a risk that the Transaction will not be completed. Under the heading Outlook the statements: "During 2010, the Company's utilization rates have consistently been above industry average, due to our modern rig fleet, strong customer base and solid reputation. We expect this trend to continue into 2011;" and "As previously announced by the Company, total capital expenditures are expected to be approximately $50 million in 2011. Subsequent to the successful completion of the proposed acquisition of Stoneham, 2011 capital spending will be reassessed". Those foregoing statements are based on the assumption that the high levels of activity and usage of Western's assets and services experienced in 2010 will continue into 2011. There is a risk that such activity could decrease back to levels experienced prior to 2010, and, as such Western's revenue and profit expectations could be negatively affected which could affect capital expenditures.

As such, many factors could cause the performance or achievement of Western to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Because of the risks, uncertainties and assumptions contained herein, readers should not place undue reliance on these forward-looking statements.

Additional Data

Additional information relating to the Company is filed on SEDAR at www.sedar.com.