Western Energy Services Corp.
Form 51-102F1
Management's Discussion and Analysis

The following discussion of the financial condition, changes in financial condition and results of operations of the Company should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 30, 2009 and the audited annual consolidated financial statements for the year ended December 31, 2008 of Western Energy Services Corp. (the "Company "or “Western”) and the related notes included therein. This management's discussion and analysis ("MD&A") is dated November 30, 2009.

Certain measures in this discussion do not have any standardized meaning as prescribed by Canadian generally accepted accounting principles ("GAAP") such as cash flow 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.

This discussion and analysis contains certain forward-looking statements related but not limited to the Company's expectations, intentions, plans and beliefs. Investment advisors, shareholders and potential investors are cautioned not to place undue reliance on forward-looking information which by its nature involves assumptions, risks and uncertainties, both general and specific, that contribute to the possibilities that predictions, projections, forecasts and future events will not occur. Consequently, actual results could differ materially from the expectations expressed in these forward-looking statements. The Company does not assume any responsibility to update this information for events subsequent to its preparation. All amounts are expressed in Canadian funds unless indicated otherwise.

Overall Performance and Results of Operation

The key operational results for the quarter ended September 30, 2009 are:

- Quarterly revenues of $1,215,502 have declined $1,968,312 or 61.8% from the corresponding quarter in 2008. Year to date revenues of $4,319,681 have declined $5,271,586 or 55.0% from the levels achieved in 2008. These results reflect the continuing bleak state of the oil and gas services sector in Canada and the United States.

- Of the year to date drop in revenues of $5.67 million, $4,432,888 or 84% is directly attributable to a drop in US based revenues and in particular the development of the Barnett shale gas reserves serviced from the Company's Abilene, Texas base. For the third quarter, the revenues of both the Canadian and International operations encouragingly showed slight increases over the corresponding period in 2008. However US operations saw a 92% decline from the corresponding period in 2008.

- In the quarter the Company had a net loss of $1,649,209 as compared to the $2.31 million loss experienced in the corresponding quarter in 2008. When considered in light of the magnitude of the year over year decline in revenues the loss, although unsatisfactory, could have been larger had the Company not carried out certain cost-cutting measures. Specifically in the quarter the Company cut a further three field staff and one administrative position in Texas plus two field and one administrative position in Canada. The annualized savings associated with these cuts is approximately $369,000.

- The Company has continued to seek purchasers for assets that are surplus to its needs. However the sale of surplus assets has been challenging due to the amount of underutilized equipment currently on the market. To date the Company has completed the sale of three pieces of equipment netting $650,820 in net proceeds. A further two asset sales are under conditional sales agreements and if completed will net approximately $1.3 million. These funds will be applied against the outstanding debt obligations of the Company.

- In the quarter the Company began to see renewed demand for its oil well remediation services as producers began to spend on work that had been postponed earlier in the year. This improvement is attributed by management to the significant increase in oil prices that has occurred relative to the lows that were reached early in the year. However, demand for the Company’s services related to natural gas production has remained weak reflecting low natural gas prices and the industry's concentration on the development of gas reserves in areas where the Company does not have operations.

- The poor operating conditions continue to place a major burden on the Company's liquidity position. As mentioned in the previous quarter the Company initiated discussions with its lenders with the goal of restructuring its debt obligations. This restructuring was completed on November 9, 2009, subsequent to the end of the quarter. With this restructuring completed all of the Company's bank debt is now held by its senior lender with all but $182,000 of the balance of the Company's term debt obligations being held by a company controlled by a director.

- In the quarter the Company restructured its executive team. Mr. Jon Garner assumed the position of interim President. In this role Mr. Garner will be primarily responsible for the company's oil and gas service operations. Mr. Jon Waddell, a Director of the Company, has assumed the role of interim CFO and is primarily responsible for the restructuring of the Company's finances.

The Company operates in the oil and gas services sector in Canada and the United States and specializes in the delivery of acidizing and solvent well remediation services as well as nitrogen and fluid pumping services. The operating environment for the oil and gas services sector is highly dependent on drilling activity and commodity prices of both oil and natural gas. Drilling and completion activity in Q3 continued at historically low levels with the result that demand for oil and gas services is slow, with significant downward pressure being put on the pricing of those services. For the specific services that the Company provides, the industry has seen price declines of between 30 to 40 percent from the price levels achieved in the high activity years of 2005 – 2007. With the recent firming in the price of oil, the environment, although still extremely challenging, has stabilized. Management will continue to focus on maintaining cash and liquidity, restructuring its debt obligations and seeking accommodation from unsecured creditors to ensure the Company survives this severe downturn.

Management will continue to focus on improving its business operations in 2009, reacting to the economic slowdown in a proactive manner that will realize upon the Company's strength of providing services to the less cyclical production side of the oil and gas industry. The Company expects that the drilling aspect of the industry will continue to experience difficulties throughout the remainder of 2009. Management believes that the Company's market direction and focus on delivery of acidizing and solvent well remediation services as well as nitrogen and fluid pumping services will continue to provide a core revenue stream which the Company can further build upon.

Selected Annual Financial Information

Year ended (except for December 31, 2004 which is Eight Months ended)	**December 31, 2008 ($)**	**December 31, 2007 ($)**	**December 31, 2006 ($)**	**December 31, 2005 ($)**	**December 31, 2004 ($)**
Revenue	**12,731,894**	15,201,283	14,118,622	8,046,139	711,438
Income (loss) from continuing operations, before loss on sale, amortization, interest and income taxes	**27,692**	574,359	(533,209)	(1,914,233)	(984,629)
Cash outflow from continuing operations	**1,583,887**	1,113,645	921,005	2,059,014	905,052
Loss from continuing operations	**5,989,875**	5,520,830	3,222,375	3,487,461	1,211,364
- per share (1)	**0.43**	0.54	0.38	0.65	0.56
Net loss	**5,989,875**	4,525,850	4,667,951	3,487,461	1,211,364
- per share (1)	**0.43**	0.44	0.55	0.65	0.56
Total assets	**22,398,435**	26,902,201	19,015,931	11,299,158	8,942,819
Long term financial liabilities	**1,306,822**	1,593,660	1,973,786	392,060	875,152
Shareholder's equity	**7,472,759**	9,505,842	7,754,008	6,481,021	3,577,144
Dividends declared	**-**	-	-	-	-

(1) Per share amounts for all periods reflect the 1 for 12 consolidation of shares that occurred in September 2008

Financial Instruments

The Company holds various financial instruments such as accounts receivable, accounts payable, revolving credit facilities, short term borrowings and long term debt. Management of the Company has decided to not use hedging to manage risks from interest rate or foreign currency fluctuations. The Company does not use derivative financial instruments. Credit risks are managed through credit or reference checks typical in the industry. In conjunction with accounting standards the Company classified its financial instruments as follows:

- Cash is a “financial asset held for trading”, is valued at fair value and gains are losses are charged to net income during the period.
- Accounts receivable are classified as “loans and receivables” and are valued using amortized cost determined with the effective interest method. As the Company’s accounts receivable have a short term nature, their fair value approximates their carrying value.
- Accounts payable and accrued liabilities, Note payable, Demand term loans, and Revolver and Short term borrowings are “other financial liabilities” and are valued using amortized costs determined with the effective interest method. Long term debt and Capital lease obligations are also “other financial liabilities” valued in the same fashion. Their fair values approximate their carrying values.
- The Company has not classified any financial instruments as “held to maturity” or “held for sale”.

Summary of Quarterly Results

Three months ended	September 30, 2009 ($)	June 30, 2009 ($)	March 31, 2009 ($)	December 31, 2008 ($)	September 30, 2008 ($)	June 30, 2008 ($)	March 31, 2008 ($)	December 31, 2007 ($)
Revenue	1,215,502	974,308	2,129,871	3,140,627	3,183,814	3,071,372	3,336,081	3,029,342
(Loss) income before loss on sale, amortization, interest, and income taxes	(80,962)	(36,623)	(190,764)	(293,026)	237,838	(32,402)	115,282	(508,497)
Loss from continuing operations	(1,649,209)	(896,721)	(1,101,360)	(1,574,438)	(2,306,405)	(1,168,489)	(980,689)	(3,095,946)
Per share [(1)]	(0.05)	(0.03)	(0.03)	(0.11)	(0.16)	(0.08)	(0.07)	(0.30)
Income (loss)	(1,649,209)	(896,721)	(1,101,360)	(1,574,438)	(2,306,405))	(1,168,489)	(980,689)	(3,095,946)
Per share [(1)]	(0.05)	(0.03)	(0.03)	(0.11)	(0.16)	(0.08)	(0.07)	(0.30)

Segmented Information

The Company operates in two industry segments, Well Service and Down Hole Tool Rentals. Well Service activities are carried out exclusively in Canada and the United States while Down Hole Tool Rentals are carried out in Mexico and Latin America. The following table provides a breakdown of the relative revenues from these geographic regions and the capital that is deployed in each region.

Revenues by Geographic Region:

	Canada $	United States $	International $	Total $
Three months ending:				
September 30, 2009	921,274	168,877	125,350	1,215,502
September 30, 2008	878,341	2,207,052	98,421	3,183,814
Nine months ending:				
September 30, 2009	2,786,529	1,245,022	288,130	4,319,681
September 30, 2008	3,748,888	5,677,910	164,469	9,591,267

Capital Assets Deployed by Geographic Region:

	Canada $	United States $	International $	Total $
At September 30, 2009	9,897,717	4,552,292	1,840,477	16,290,486
At September 30, 2008	11,000,951	5,395,478	2,071,240	18,467,669

Of the year to date drop in revenues of $5.67 million, $4,432,888 or 84% is directly attributable to a drop in US based revenues and in particular the development of the Barnett shale gas reserves serviced from the Company's Abilene, Texas base. On a quarterly basis the revenues of both the Canadian and International operations encouragingly showed slight increases over the corresponding period in 2008. However US operations saw a 92% decline from the corresponding period in 2008. The severe drop in US business activity has been a major contributor to the operating losses in the Company. If reduced US revenues persist, fixed costs of operation such as debt service costs, basic payroll expense, licensing and operating costs may not be covered, such that the US operations will have to be relocated or closed.

Liquidity and Capital Resources

The Company continues to experience operating losses and has a need for additional capital or a combination of additional capital and accommodation from its creditors to continue operations. Subsequent to September 30, 2009 the Company closed its previously announced debt restructuring with its bankers, providing for, among other things, a further advance of $1,325,000, an interest only repayment period until December 31, 2009, and a reamortization of the Company's senior debt facility over a period of 48 months commencing with the expiration of the interest-only period. As part of this debt restructuring the term of the short term borrowings of the Company was extended for a period of 24 months and the interest rate on the loan was reduced from 12% to 7%, effective July 1, 2009.

In conjunction with and conditional upon completion of the bank financing, the Company has also raised $3 million via a private placement offering of units ("Unit Offering), consisting of, in the aggregate, $3 million principal amount of convertible secured subordinated debentures (the "Debentures") and 30 million share purchase warrants (the "Warrants"). The Unit Offering is a related party transaction under MI 61-101, which required the Company to obtain shareholder approval from disinterested shareholders. This approval was obtained by way of written consents from at least 50.1% of its disinterested shareholders.

The Debentures will be convertible into common shares of the Company at the option of the holder any time prior to maturity at the conversion price of $0.10 per share for the first eight months from the date of issue (the "Initial Period"), $0.15 per share for the eight months following the Initial Period (the "Subsequent Period"), and $0.20 per share for the eight months following the Subsequent Period. Each warrant shall entitle the holder to acquire one common share upon payment of the exercise price of $0.10 and shall expire 24 months from the date of issue.

As part of the conditional agreement to refinance the Company which was completed on November 8, 2009, the senior lender and the holder of the short term borrowings as well as the Company's US based lender all agreed to suspend until December 31, 2009 the application of the working capital covenant that requires the Company to maintain a minimum current ratio of 1.25 to 1.00. If the Company is unable to attain this minimum threshold by December 31, 2009 the Company's lenders would then consider the Company to be in breach of its working capital covenant.

In order to improve its working capital position the following steps are being taken by the Company:

- Certain capital assets surplus to its current needs have been identified and independently valued. Assets deemed superfluous to the long term will be sold if and when purchasers can be identified. To date the Company has completed the sale of three pieces of equipment netting $650,820 in net proceeds. A further two asset sales are under conditional sales agreements that were entered into by the Company after the period which, if completed, will net approximately $1.3 million. If realized, these funds will be applied against outstanding debt obligations of the Company.

- The Company has continued to manage its costs during this down cycle in the oil and natural gas exploration and development industry with additional staffing cuts and salary rollbacks in the quarter. In the quarter the Company cut a further three field staff and one administrative position in Texas plus two field and one administrative position in Canada. The annualized savings associated with these cuts is approximately $369,000.

In addition to these steps the Company has entered into negotiations with the Company's unsecured creditors seeking an accommodation from them which would see the total amount owing reduced or alternatively restructured into a payment plan whereby the outstanding balances would be paid out over twelve months. Although it is too early to determine the ultimate success or failure of this program preliminary indications are that the program will have some success.

The Company experienced a cash outflow of $314,403 from continuing operations during the third quarter of 2009 ($220,507 outflow Q3 2008). Of this amount $203,000 was comprised of severance and termination payments in respect of the staff changes that occurred during the period. When combined with changes in non-cash working capital, total cash flow outflow from operating activities during Q3 2009 was $84,295 compared to a net inflow of $9,514 in 2008.

Transactions with Related Parties

During the nine months ended September 30, 2009:

- the Company obtained legal services from a firm in which a director is a partner. At September 30, 2009 $268,213 was outstanding to this firm for legal services and is recorded within accounts payable.

- The Company sold and leased back its land and building located near Red Earth Creek, Alberta and certain pumping equipment to a company controlled by certain officers and directors of the Company. Both the sales and lease amounts were conducted at fair market values. The Company also continued to lease its facilities near Grand Prairie Alberta from the same related company, under the terms of the existing 5 year lease.

- The Company borrowed a further $3,198,568 from 1063645 Alberta Ltd. ($841,875 in Q1 and $536,634 in Q2, $1,283,425 in Q3), a company controlled by a director of the Company under the same terms as previously existing short term borrowing. As at the end of the quarter the balance outstanding on this loan was $5,227,800.

Proposed Transactions

As of the date hereof the Company has no proposed transactions except that it has received $205,000 in proceeds for share subscriptions under a private placement for which it has not yet issued shares.

Change in Accounting Policies

During the nine months ended September 30, 2009 the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") pronounced change to accounting standards effective for 2009.

Goodwill and Intangibles; The CICA has issued a new standard for recognition, measurement, presentation and disclosure of goodwill and intangible assets which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. The Company's accounting policies with respect to goodwill and intangibles were unchanged on adoption of this standard.

With the completion of the third quarter of 2009, it now appears that the cash flow projections upon which the valuation of goodwill is based will not be attained. Consequently all of the goodwill, totalling $711,513, has been written off in the Company's financial statements for the three and nine month periods ending September 30, 2009.

Recent Accounting Pronouncements

International Financial Reporting Standards; The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting standards which includes converging accounting standards in Canada for public companies with International Financial Reporting Standards by the end of 2011. The Company continues to monitor and assess the impact of this proposed convergence.

Business Risks

A discussion of the business risks applicable to the Company is available in the MD&A for the year ended December 31, 2008. No material risks have been identified that are not listed in that discussion.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls over Financial Reporting

The Company has designed and implemented internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles ("GAAP). Due to its size, corporate structure, and decentralized operations the Company has identified certain weaknesses in its internal controls over financial reporting.

These weaknesses include:

- Due to a limited number of staff, which is typical for the size of the Company, it is not feasible to achieve adequate segregation of duties of its employees. This weakness and its associated risks are mitigated, in part, by senior management overview.

- The Company relies upon key personnel to oversee or perform certain functions, sometimes without review. For example the Company's CFO is the only employee with detailed knowledge of GAAP and he plays an instrumental role in the preparation of the consolidation of the Company's results and financial reporting. This weakness and its associated risks are mitigated, in part, by the oversight of the Audit Committee of the board of directors and of the Company's external auditors. The Company will consider hiring external consultants to assist with the implementation of future complex GAAP pronouncements.

- The Company does not have sufficient detailed internal expertise in areas which may cause errors in the planning, conduct and reporting of non-routine accounting and domestic and international tax transactions. This weakness and its associated risks are mitigated, in part, through the use of outside consultants as needs are identified.

Taking into account the present stage of the Company's development and the mitigating controls implemented respecting the above weaknesses, management has concluded that the hiring of additional personnel for the purpose of more completely addressing these weaknesses is not warranted at this time.

There have been no changes in the Company's systems of internal control over financial reporting that would materially affect, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Additional Data

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

Summary of Equity Instruments as at November 30, 2009:

1. Authorized share capital:

Unlimited number of voting common shares without nominal or par value.
Unlimited number of non-voting preferred shares issuable in series.

2. Shares issued and outstanding:

There were 32,246,405 common shares outstanding, with a recorded value of $14,554,336.

3. Options outstanding:

There were 170,003 options outstanding to purchase common shares, with a recorded value of $176,673. The range of exercise prices and expiry dates for outstanding options are as follows:

Exercise Price	Number	Number Exercisable	Range of Expiry Date
$			
1.32	82,502	82,502	2012
3.36	87,501	87,501	2011

Options have an exercise price equal to the market price at the date of grant. No stock options were granted during 2008 or to date in 2009.

4. Warrants outstanding

The Company currently has no warrants outstanding.

5. Escrowed shares

There are 16,473 common shares held in escrow which were released, after the period, in October 2009.