Western Energy Services Corp.
Consolidated Financial Statements
June 30, 2009

Notice to Reader: These financial statements and accompanying notes to the financial statements have not been reviewed by the Company's auditors.

Western Energy Services Corp.

Consolidated balance sheets as at

	June 30, 2009 ($) (Interim, unaudited)	December 31, 2008 ($) (Audited)
Assets		
Current assets		
Cash	**40,779**	71,259
Accounts receivable	**810,181**	1,841,065
Product inventory	**267,214**	332,950
Prepaid expenses	**333,127**	572,254
Assets held for sale	**-**	401,725
	1,451,301	3,219,253
Capital assets	**17,053,606**	18,467,669
Goodwill	**711,513**	711,513
	19,216,420	22,398,435
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**2,975,637**	3,849,176
Revolving credit facilities	**379,153**	755,914
Short term borrowings (Note 5)	**3,944,375**	2,490,403
Demand term loans	**5,419,756**	6,523,361
Current portion of capital lease obligations	**56,637**	93,528
Current portion of long term debt	**399,853**	448,886
	13,175,411	14,161,268
Long-term debt	**566,198**	764,408
	13,741,609	14,925,676
Shareholders' Equity		
Common shares (Note 6)	**14,554,336**	14,554,204
Subscriptions received	**205,000**	205,000
Contributed surplus	**1,799,378**	1,799,378
Deficit	**(11,083,903)**	(9,085,823)
	5,474,811	7,472,759
	19,216,420	22,398,435

These financial statements and accompanying notes to the financial statements have not been reviewed by the Company's auditors.

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

Western Energy Services Corp.

Interim, unaudited, consolidated statements of operations and deficit

	Three Months Ended June 30		Six Months Ended June 30	
	2009 ($)	2008 ($)	**2009 ($)**	2008 ($)
Revenue	**974,308**	3,071,372	**3,104,179**	6,407,453
Expenses				
Operating	**1,087,979**	2,704,055	**3,081,427**	5,496,142
General and administrative	**329,107**	326,399	**550,796**	631,816
Stock based compensation	**-**	12,071	**-**	137,503
Gain on sale of assets	**(3,613)**	33,039	**(16,561)**	41,325
Foreign exchange	**(402,542)**	61,210	**(297,046)**	59,073
	1,010,931	3,136,774	**3,318,616**	6,365,859
Income (loss) from continuing operations, before amortization, interest and income taxes	**(36,623)**	(65,402)	**(214,437)**	41,594
Amortization & accretion	**633,141**	700,545	**1,319,716**	1,391,600
Interest	**226,957**	341,939	**463,927**	680,623
Accretion	**-**	5,954	**-**	23,754
Loss before taxes	**(896,721)**	(1,113,840)	**(1,998,080)**	(2,054,383)
Foreign withholding tax	**-**	54,649	**-**	94,795
Future income taxes		-	**-**	-
	-	54,649	**-**	94,795
Net loss	**(896,721)**	(1,168,489)	**(1,998,080)**	(2,149,178)
Deficit, beginning of period	**(10,187,182)**	(4,076,637)	**(9,085,823)**	(3,095,948)
Deficit, end of period	**(11,083,903)**	(5,245,126)	**(11,083,903)**	(5,245,126)
Net loss per share				
Basic and diluted	**(0.03)**	(0.08)	**(0.06)**	(0.15)

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Western Energy Services Corp.
Interim, unaudited consolidated statements of cash flows

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	**2009**	2008
	($)	($)	**($)**	($)
Operating activities				
Net loss	**(896,721)**	(1,168,489)	**(1,988,080)**	(2,149,178)
Items not affecting cash				
Amortization and accretion	**633,141**	700,545	**1,319,716**	1,391,600
Stock-based compensation	**-**	12,071	**-**	137,503
Accretion	**-**	5,954	**-**	23,754
Loss (gain) on sale of assets	**(3,613)**	33,039	**(16,561)**	41,325
Cash flow from operations	**(267,193)**	(416,880)	**(684,925)**	(554,996)
Net change in non-cash working capital (Note 8)	**291,433**	678,001	**462,208**	1,030,552
	24,240	261,121	**(222,717)**	475,556
Investing activities				
Proceeds on sale of equipment	**70,376**	219,797	**510,890**	234,264
Capital asset purchases	**-**	(81,470)	**(8,259)**	(1,550,822)
	70,376	138,327	**502,631**	(1,316,558)
Financing activities				
Net proceeds from (payment of) revolving credit facilities	**136,635**	31,945	**(376,761)**	168,477
Proceeds of short term borrowings	**536,634**	-	**1,453,972**	-
Proceeds from demand term loans	**-**	-	**-**	1,506,975
Payments on demand term loan	**(636,702)**	(466,596)	**(1,103,605)**	(817,414)
Net payments of related party notes	**-**	-	**-**	-
Proceeds from long term debt	**-**	-	**-**	37,089
Payment of long term debt	**(138,020)**	(59,086)	**(247,243)**	(140,092)
Payment of capital leases	**(7,693)**	(29,043)	**(36,889)**	(57,783)
Costs related to issue of units	**-**	-	**132**	(500)
	(109,146)	(522,780)	**(310,394)**	696,752
Increase (decrease) in cash	**(14,530)**	(123,332)	**(30,480)**	(144,250)
Cash, beginning of period	**55,309**	189,806	**71,259**	210,724
Cash, end of period	**40,779**	66,474	**40,779**	66,474

These financial statements and accompanying notes to the financial statements have not been reviewed by the Company's auditors.
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1. Significant accounting policies

These interim financial statements do not conform in all aspects to the requirements of generally accepted accounting principles for annual financial statements. The disclosures provided below are incremental to those included with the most recent annual financial statements and certain disclosures, which are normally required to be included in the notes to the annual financial statements, have been condensed or omitted. These interim financial statements and notes thereto should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008.

a. Basis of presentation – going concern

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which presumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge it liabilities in the normal course of business. These consolidated financial statements do not include any adjustments or reclassifications that would be required if the going concern assumption is not appropriate. The ability of the Company to continue as a going concern is dependent on attaining and maintaining profitable operations, and obtaining additional financing through the issue of treasury shares, new loans or the sale of non-core assets.

The Company continues to experience operating losses, has minimal cash and a significant working capital deficit and must obtain additional capital or a combination of additional capital and accommodation from its creditors to continue as a going concern. As at the issuance date of these statements, the Company had entered into a conditional agreement (see Note 12) with its bank and the holder of the Company's short term borrowings whereby additional credit may be granted to the Company, as well as an extension of the term of short term borrowings. 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 (see Note 12).

Satisfying the conditions associated with these financings and completing the refinancings as contemplated in the conditional agreements is critical to the Company continuing as a going concern. As at the issuance date of these statements, the Company had made progress towards satisfying the conditions related to these facilities but it was still uncertain as to whether the Company will be able to satisfy all of the conditions of the refinancings.

In connection with negotiating the restructured bank facility, the Company's senior lender advised the Company that it considered the Company to be in breach of its working capital covenant under its existing facility. However, as part of the conditional agreement to refinance the Company, the Company's senior lender, the holder of the short term borrowings and its US based lender have all agreed to forebear in respect of this matter, pending completion of the refinancings by the Company.

2. Recent accounting pronouncements:

These interim financial statements follow the same accounting policies and methods as the most recent annual financial statements, except for the adoption of the following

Canadian Institute of Chartered Accountants' pronounced change to accounting standards effective for 2009:

Goodwill and Intangible Assets; 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.

3. Seasonality

The Company's operations are often weather dependent, which has a seasonal impact, particularly in Canada. During the first quarter, the frozen conditions allow oil and gas companies to move heavy equipment to otherwise inaccessible areas and the resulting demand for services such as those provided by the Company is high. The second quarter is normally a slower period due to wet conditions creating weight restrictions on roads and reducing the mobility of heavy equipment, which slows activity levels in the industry. The third and fourth quarters are usually representative of average activity levels.

4. Revolving Credit Facilities

The Company has a revolving line of credit, established with a US based lender with interest at the greater of US Prime plus 2% or 10% subject to a monthly minimum of US$4,000. The line of credit is capped at the lesser of US$1,000,000 or 80% of eligible accounts receivable in its US subsidiary. At June 30, 2009, US$32,639 (CAD$37,731) was drawn under this line of credit (at December 31, 2008 US$284,462 (CAD$347,840). This facility is cross collateralized with USD demand term loans (Note 5) and secured by the land, building, specific equipment and accounts receivable of the Company's US subsidiary pursuant to a security agreement covering all assets of the US subsidiary, and excluding all non-specified equipment and is also secured by a guarantee by the Company. At June 30, 2009, the undrawn availability under this line of credit was US$182,339 (CAD$210,784).

The Company has a line of credit with a Canadian lender capped at the lesser of $500,000 or 75% of the eligible accounts receivable in its Canadian subsidiary. This loan bears interest at prime plus 1.75%, operates as an overdraft facility where cash received reduces the principal outstanding and the Company can draw unused funds up to the cap and is cross collateralized with Canadian demand term loans (see Note 5). At June 30, 2009 $341,421 (December 31, 2008 - $408,074) was drawn under this line of credit. At June 30, 2009 the line was fully drawn.

5. Demand Term Loans

The Company has a Canadian demand term loan with a 60 month amortization period, interest of prime plus 1.5% and a balance as of June 30, 2009 of $3,879,733 (December 31, 2008 - $4,547,287). This banking facility is secured by all present and after acquired property of the Company and its Canadian subsidiary.

The Company has demand term loans with a US based lender in the amount of $1,540,023 (December 31, 2008 – $1,976,074), which loans are denominated in US dollars (US$1,332,200) (December 31, 2008 - US$1,616,024), bear interest at the greater of US prime plus 2% or 10%, are repayable with weekly principal payments of US$11,200 and are cross collateralized with a line of credit as well as a charge over property and equipment of the Company's US based subsidiary having a net book value of $US2,063,582.

In connection with negotiating the restructured bank facility, the Company's senior lender advised the Company that it considered the Company to be in breach of its working capital covenant under its existing facility. However, as part of the conditional agreement to refinance the Company (see Note 12), the Company's senior lender, the holder of the short term borrowings and its US based lender have all agreed to forebear in respect of this matter, pending completion of the refinancing by the Company.

5. Short term borrowings

During the second quarter of 2009, the Company borrowed a further $536,634 from 1063645 Alberta Ltd., a company controlled by a director of the Company. The total balance owing to 1063535 Alberta Ltd. was $3,944,375 at June 30, 2009. This facility which bears interest at 12% is due on August 31, 2009 and is secured by a first charge on the Company's downhole tools and certain well service equipment, as well as a second charge against other well service equipment and a corporate guarantee.

Subsequent to the end of the quarter, the term of this loan was conditionally extended for a period of 24 months and the interest rate reduced to 7% per annum.

6. Shareholder's equity

a. Share consolidation

On September 5, 2008, the Company effected a share consolidation on the basis of one new common share for each 12 shares then held by shareholders. References to the number of shares for prior periods have been adjusted to reflect the consolidation.

b. Per share amounts

Basic loss per share was calculated using a weighted average of 32,246,405 shares outstanding for the three months ended June 30, 2009 and 14,000,579 shares outstanding for the three months ended June 30, 2008.

When the effect of exercising or converting equity instruments is anti-dilutive, they have not been included in the calculation of diluted loss per share.

c. Expiries

During the six months ended June 30, 2009, 2,548,805 share purchase warrants expired.

7. Related party transactions

During the six months ended June 30, 2009, the Company recorded legal fees for services provided by a firm in which a director is a partner in the amount of $nil. At June 30, 2009, $240,721 was outstanding and is recorded within accounts payable.

The Company previously 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 and for no gain or loss to the Company. 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.

All related party transactions in the normal course of operations have been measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties.

8. Changes in non-cash working capital

	Three Months Ended June 30		Six Months Ended June 30	
	2009 ($)	2008 ($)	**2009 ($)**	2008 ($)
Accounts receivable	**584,726**	796,353	**1,030,884**	484,721
Accounts payable	**(406,967)**	(206,663)	**(873,539)**	352,232
Product Inventory	**(7,256)**	131,614	**65,736**	242,433
Prepaid expense	**120,930**	(43,303)	**239,127**	(48,834)
	291,433	678,001	**462,208**	1,030,552

9. Segmented Information

The Company operates in two industry segments, Well Service and Down Hole Tool Rentals.

Three months ended June 30, 2009

	Well Service ($)	Tool Rental ($)	**Total ($)**
Revenue	867,059	107,249	**974,308**
Operating costs	1,045,040	42,939	**1,087,979**
Operating margin	(177,981)	64,310	**(113,671)**
Expenses			
General and administrative			**329,107**
Stock based compensation			**-**
Amortization			**633,141**
Interest			**226,958**
Other			**(406,156)**
Loss from continuing operations, before taxes			**896,721**
Goodwill	711,513	-	**711,513**
Capital assets	15,185,509	1,868,097	**17,053,606**
Expenditures on capital items	-	-	**-**

Three months ended June 30, 2008

	Well Service ($)	Tool Rental ($)	Total ($)
Revenue	2,883,866	187,506	**3,071,372**
Operating costs	2,558,467	145,588	**2,704,055**
Operating margin	325,399	41,918	**367,317**
Expenses			
General and administrative			**326,399**
Stock based compensation			**12,071**
Amortization			**700,545**
Interest			**341,939**
Other			**100,203**
Loss from continuing operations, before taxes			**1,113,840**
Goodwill	711,513	-	**711,513**
Capital assets	20,266,160	2,127,069	**22,393,229**
Expenditures on capital items	81,470	-	**81,470**

Six months ended June 30, 2009

	Well Service ($)	Tool Rental ($)	**Total ($)**
Revenue	2,804,650	299,529	**3,104,179**
Operating costs	2,894,361	187,066	**3,081,427**
Operating margin	(89,711)	112,463	**22,752**
Expenses			
General and administrative			**550,796**
Stock based compensation			**-**
Amortization			**1,319,716**
Interest			**463,927**
Other			**(313,607)**
Loss from continuing operations, before taxes			**1,998,080**
Goodwill	711,513	-	**711,513**
Capital assets	15,185,509	1,868,097	**17,053,606**
Expenditures on capital items	8,259	-	**8,259**

Six months ended June 30, 2008

	Well Service ($)	Tool Rental ($)	Total ($)
Revenue	6,112,622	294,831	**6,407,453**
Operating costs	5,244,562	251,580	**5,496,142**
Operating margin	868,060	43,251	**911,311**
Expenses			
General and administrative			**631,816**
Stock based compensation			**137,503**
Amortization			**1,391,600**
Interest			**680,623**
Other			**124,152**
Loss from continuing operations, before taxes			**2,054,383**
Goodwill	711,513	-	**711,513**
Capital assets	20,266,160	2,127,069	**22,393,229**
Expenditures on capital items	1,550,822	-	**1,550,822**

The Company has operations in Canada and the United States. However, given the substantial similarities between these operations, the Company considers North America to be a single geographic market.

10. Financial instruments

a. Interest rate risk

The Company is exposed to interest rate risk on certain debt instruments to the extent of changes in the prime interest rate. Currently the Company's revolving credit facilities and demand term loans are subject to interest rate changes. For each 1% change in the interest rates an additional savings or expense of approximately $57,989 would result.

The short term borrowings and the long term debt are all subject to fixed rates.

b. Foreign exchange risk
The Corporation is exposed to foreign currency fluctuations in relation to its international operations. To date the Company has not hedged against these fluctuations. For the three months ended June 30, 2009, the increase or decrease in net earnings before taxes for each 1 percent change in foreign exchange rates between the Canadian and US Dollars is estimated to be $24,000.

c. Credit risk
Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to customers in the form of outstanding accounts receivable. The Company has accounts receivable, which are due from parties outside of Canada, which may make collections more difficult. The maximum exposure to credit risk is equal to the carrying value of the financial assets, which reflects management's assessment of the credit risk.

d. Liquidity risk
Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk through cash and capital management.

The Company's short term borrowings mature on August 31, 2009. The Company is currently in negotiations with the respective lenders and others and has subsequent to June 30, 2009 entered into a conditional agreement (see Note 12) with its bank and the holder of the Company's short term borrowings, whereby additional credit may be granted to the Company, as well as an extension of the short term borrowings. 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 (see Note 12).

Satisfying the conditions associated with these financings and completing the refinancings as contemplated in the conditional agreements is critical to the Company continuing as a going concern. As at the issuance date of these statements, the Company had made progress towards satisfying the conditions related to these facilities but it was still uncertain as to whether the Company will be able to satisfy all of the conditions of the refinancings.

In connection with negotiating the restructured bank facility, the Company's senior lender advised the Company that it considered the Company to be in breach of its working capital covenant under its existing facility. However, as part of the conditional agreement to refinance the Company, the Company's senior lender, the holder of the short term borrowings and its US based lender have all agreed to forebear in respect of this matter, pending completion of the refinancings by the Company. The Company's demand term loans are payable over time subject to amortization schedules but are due on demand.

Subsequent to the date of these statements, the holder of the Canadian demand term loan informed the Company that it was in breach of its working capital covenants. However, as part of the conditional agreement to refinance the Company, the senior lender and the holder of the short term borrowings, as well as the

Company's US based lender have all agreed to forebear on this breach pending the outcome of the conditional refinancing.

11. Capital management

The capital structure of the Company consists of cash, revolving credit facilities, other current debt instruments, long-term debt, and shareholders' equity. The Company's objective of managing capital, given the cyclical and seasonal nature of the oil and gas services business, is to preserve the Company's financial flexibility to maximize returns for shareholders. This objective is achieved by managing the capital generated from internal sources, balancing the need to fund growth initiatives versus the cost of new capital and anticipating future capital requirements using conservative estimates.

12. Subsequent Events

Subsequent to June 30, 2009, the Company entered into a conditional letter agreement with the Company's bankers, providing for, among other things, a further advance of $1,325,000, an interest only repayment period until September 30, 2009 and a reamortization of the Company's senior debt facility over a period of 48 months.

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 and 30 million share purchase warrants. The Unit Offering is a related party transaction under MI 61-101 such that the TSX Venture Exchange requires Western to obtain such shareholder approval on a disinterested basis. The Company intends to obtain such approval by way of written consents from at least 50.1% of its disinterested shareholders.

As part of this conditional 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.

Satisfying the conditions associated with these financings and completing the refinancing as contemplated in the conditional agreements is critical to the Company continuing as a going concern. As at the issuance date of these statements, the Company had made progress towards satisfying the conditions related to these facilities but it was still uncertain as to whether the Company will be able to satisfy all of the conditions of the refinancings.

13. Comparative numbers

Certain of the comparative numbers have been reclassified to be consistent with the presentation of the current period.