WESTERN ENERGY SERVICES CORP.

Annual Information Form

Year Ended December 31, 2011

March 21, 2012

TABLE OF CONTENTS

GLOSSARY OF TERMS

In this Annual Information Form, unless the context otherwise requires, references to "we", "us", "our" or similar terms, or to the "Corporation" refer to Western Energy Services Corp. (either alone or together with its subsidiaries) and the following terms shall have the meanings set forth below, unless otherwise indicated.

"**106 Alberta**" means 1063645 Alberta Ltd., a corporation formed under the laws of the Province of Alberta;

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any or all regulations promulgated thereunder, as amended from time to time;

"**Annual Information Form**" means this annual information form;

"**Bank**" means the Corporation's current banking syndicate;

"**Bridge Loan**" means the bridge loan facility provided by 106 Alberta to Westx in the original principal amount of $2.0 million;

"**Board of Directors**" or "**Board**" means the board of directors of Western;

"**Canadian GAAP**" means generally accepted accounting principles in Canada as in effect from time to time;

"**Capital Restructuring**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2009*";

"**Cedar Creek**" means Cedar Creek Drilling Ltd.;

"**Cedar Creek Acquisition**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Cedar Creek Agreement**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Common Share**" means a common share in the capital of Western;

"**Convertible Debentures**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2009*";

"**Credit Facility**" means both the Revolving Facility and the Operating Facility;

"**Horizon**" means Horizon Drilling Inc., a corporation amalgamated under the laws of the Province of Alberta and wholly-owned subsidiary of Western;

"**Horizon Acquisition**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Horizon Agreement**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**IFRS**" means International Financial Reporting Standards;

"**Impact**" means Impact Drilling Ltd.;

"**Impact Acquisition**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Indenture**" means the trust indenture entered into between Western and Valiant Trust Company, as trustee, and Horizon, Matrix and Stoneham, as guarantors;

"**Matrix**" means Matrix Well Servicing Inc.

"**New Board**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2009*";

"**New Management**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Historical Development of Western – 2009*";

"**Notes**" means the $175 million of 7 $^{7}/_{8}$% senior notes due January 30, 2019, issued by Western on January 30, 2012 pursuant to the Indenture;

"**Operating Facility**" means the loan facility of Western from a Canadian bank which consists of an operating demand facility in the amount of $10 million, as at March 21, 2012;

"**Pantera**" means Pantera Drilling Income Trust;

"Pantera Acquisition" has the meaning as set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Pantera Acquisition Agreement**" has the meaning as set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2010*";

"**Person**" includes an individual, a body corporate, a trust, a union, a pension fund, a government and a governmental agency;

"**Post-Consolidation**" means taking into account the consolidation of the issued and outstanding common shares of the Corporation on the basis of one common share for each 20 then outstanding common shares on June 20, 2011;

"**Private Placement**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History - 2009*";

"**Recapitalization Agreement**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History - 2009*";

"**Revolving Facility**" means the loan facility of Western from a syndicate of banks which consists of a three year extendible revolving credit facility in the amount of $125 million, as of March 21, 2012;

"**Securities Act**" means the *Securities Act* (Alberta) together with any and all regulations thereunder as amended from time to time;

"**Secured Facilities**" means the Revolving Facility and the Operating Facility;

"**StimSol**" means StimSol Canada Inc., a corporation organized under the laws of the Province of Alberta and wholly-owned subsidiary of Western prior to its disposition on September 13, 2011;

"**Stoneham"** means Stoneham Drilling Corporation;

"**Subsidiary**" or "**subsidiary**" means, with respect to any Person, a subsidiary (as that term is defined in the ABCA (for such purposes, if such person is not a corporation, as if such person were a corporation)) of such Person and includes any limited partnership, joint venture, trust, limited liability company, unlimited liability company or other entity, whether or not having legal status, that would constitute a subsidiary (as described above) if such entity were a corporation;

"**TSX**" means the Toronto Stock Exchange;

"**TSXV**" means the TSX Venture Exchange Inc.;

"**Underwriting Agreement 2011**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – Recent Developments*.

"**Warrant**" has the meaning set forth under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2009*";

"**Westx**" means Western Energy Services of Texas Corp., a corporation organized under the laws of the State of Delaware and a wholly-owned subsidiary of Western; and

"**Western**" or the "**Corporation**" means Western Energy Services Corp., a corporation incorporated pursuant to the laws of the Province of Alberta, and includes all applicable Subsidiaries and predecessor entities of the Corporation, as the context requires.

GENERAL MATTERS

The Corporation prepares its financial statements in Canadian dollars and in conformity with IFRS.

Unless otherwise indicated, all dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

The Corporation's website is located at www.wesc.ca.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "propose", "predict", "potential", "continue", or the negative of these terms or other comparable terminology are generally intended to identify forward-looking information. Such information represents the Corporation's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital expenditures, anticipated future debt levels and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

In addition, this document contains forward-looking information pertaining to: the business of the Corporation; results of operations; performance of the Corporation; dividend policy of Western; use of credit facilities; and business prospects and opportunities. In particular under the heading *General Development of the Business of the Corporation and its Operating Entities –-Anticipated Changes in the Business of the Corporation* the Corporation states that " Due to the experience of the management team, it has been their stated intention to focus their efforts in three core business lines encompassing contract drilling, well servicing rigs and rental services" and that " The Corporation intends to continue with its stated business plan during 2012 by expanding its well servicing rigs business, continuing to evaluate and, where appropriate, expand its contract drilling business and to evaluate opportunities in the rental services business."

Actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth below and elsewhere in this document:

- fluctuations in the market for oil and natural gas and related products and services;
- political and economic conditions;
- supply and demand for oilfield services relating to contract drilling services;
- supply and demand for oilfield services relating to stimulation and fluid pumping, nitrogen services, downhole tool rentals, specialty solvents and laboratory services;
- competition for, among other things, capital and skilled personnel;
- incorrect assessments of the value of acquisitions;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;
- fluctuations in foreign exchange or interest rates;
- failure of counter-parties to perform on contracts;
- regional competition;

- the Corporation's ability to attract and retain customers;
- amounts retained by the Corporation for capital expenditures;
- volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oil and gas services generally;
- stock market volatility and market valuations;
- uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed;
- fixed costs in relation to variable revenue streams;
- the presence of heavy competition in the industry in which the Corporation currently operates;
- general economic conditions in Canada, the United States and globally;
- failure to realize the anticipated benefits of the Acquisitions;
- the availability of capital on acceptable terms; and
- any or all of the factors discussed under *"Risk Factors*".

Management has included the above summary of assumptions and risks related to forward-looking information provided in this Annual Information Form in order to provide shareholders with a more complete perspective on Western's future operations and such information may not be appropriate for other purposes. Western's actual results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Corporation will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

Other than the continuous disclosure obligations set forth in National Instrument 51-102 – *Continuous Disclosure Obligations*, the Corporation undertakes no obligation to publicly update or revise any forward looking information, except as required pursuant to applicable securities laws. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this Annual Information Form. The forward-looking information contained in this Annual Information Form are expressly qualified by this cautionary statement.

WESTERN ENERGY SERVICES CORP.

CORPORATE STRUCTURE

Name, Address and Incorporation

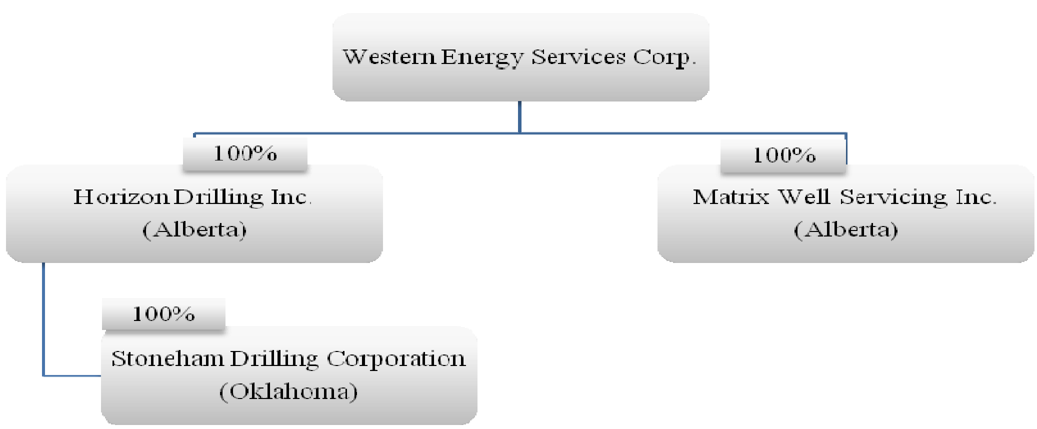
The Corporation was incorporated under the ABCA on March 18, 1996 as "Big Blackfoot Resources Ltd.". On September 27, 2002, the Corporation filed articles of amendment to change its name to "BBF Resources Inc." and to consolidate its then outstanding Common Shares on the basis of one Common Share for each two Common Shares. On June 23, 2005, the Corporation filed articles of amendment to change its name to "Western Energy Services Corp." On January 1, 2006, the Corporation filed articles of amalgamation and amalgamated with its wholly-owned subsidiary, WESC Ltd. On September 5, 2008, the Corporation filed articles of amendment to consolidate its then outstanding Common Shares on the basis of one Common Share for each 12 Common Shares. On June 20, 2011, the Corporation filed articles of amendment relating to the consolidation of the issued and outstanding common shares of the Corporation on the basis that each 20 common shares shall become one (1) common share (20:1). On July 31, 2011, the Corporation filed articles of amalgamation and amalgamated with its wholly-owned subsidiary Stoneham Drilling Inc.

Western currently has three material subsidiaries, Horizon, Stoneham and Matrix. The head, principal and registered office of Western is located at 900, 606 - 4th Street S.W. Calgary, Alberta T2P 1T1.

Intercorporate Relationships

The following diagram sets forth the organizational structure of the Corporation and each of its material subsidiary entities as at the date hereof:

Organizational Structure of the Corporation



Horizon Drilling Inc.

Horizon was amalgamated under the ABCA on March 18, 2010 pursuant to the amalgamation of Horizon Drilling Inc., Cedar Creek and 1520224 Alberta Ltd. All of the issued and outstanding common shares of Horizon are owned by the Corporation. That amalgamated corporation then amalgamated with Impact Drilling Ltd. on August 25, 2010 to become Horizon Drilling Inc. See also "*Description of the Corporation's Business and Operations – Reorganizations*".

Matrix Well Servicing Inc.

Matrix was incorporated under the ABCA on May 5, 2011.

Stoneham Drilling Corporation

Stoneham was incorporated under the laws of Oklahoma on January 17, 2008 and became a wholly owned subsidiary of Horizon on August 1, 2011.

GENERAL DEVELOPMENT OF THE BUSINESS OF THE CORPORATION AND ITS OPERATING ENTITIES

General

The Corporation is an oilfield services company that provides contract drilling through its wholly-owned subsidiary, Horizon in Canada and Stoneham in the United States and well servicing through its wholly-owned subsidiary Matrix.

Three Year History

2011

On March 29, 2011, Western closed a bought deal financing (the "**2011 Financing**") with a syndicate of underwriters (the "**2011 Underwriters**") pursuant to an underwriting agreement made effective March 8, 2011 (the "**Underwriting Agreement 2011**") whereby the Corporation issued 192,500,000 common shares (9,625,000 common shares Post-Consolidation) at a price of $0.39 per share ($7.80 per share Post-Consolidation for gross proceeds of approximately $75.1 million. On April 1, 2011, the 2011 Underwriters exercised an over-allotment option and pursuant thereto acquired an additional 28,875,000 common shares (1,443,750 common shares Post-Consolidation) at $0.39 per share ($7.80 per share Post-Consolidation) for gross proceeds of approximately $11.3 million. The 2011 Underwriters were paid commissions of approximately $4.3 million with respect to the 2011 Financing.

On April 7, 2011, Western entered into an arrangement agreement (the "**Stoneham Arrangement Agreement**") with Stoneham Drilling Trust ("**Stoneham**") pursuant to which Stoneham agreed to carry out a plan of arrangement (the "**Arrangement**") whereby Western would acquire all of the 7,977,877 outstanding trust units of Stoneham for either $24.00 per unit in cash, subject to a maximum of $115 million in aggregate cash paid, or 61.538 Western common shares per unit, at the option of a Stoneham unitholder. The Corporation completed the Arrangement on June 10, 2011. The total transaction value was approximately $225.7 million, including (i) the assumption of approximately $34.3 million in debt from Stoneham; (ii) the issuance of approximately 196.1 million common shares of Western (9.8 millon common shares Post-Consolidation) at an ascribed value of $0.39 per Western common share ($7.80 per share Post-Consolidation); and (iii) $115.0 million of consideration paid in cash.

On June 8, 2011, Western increased its syndicated revolving credit facility to a $150 million committed three year extendible Revolving Facility . The Revolving Facility requires interest to be paid monthly with no scheduled principal repayments unless the Revolving Facility is not extended by the maturity date. The current maturity date of the Revolving Facility is June 7, 2014. Amounts borrowed under the Revolving Facility bear interest at the bank's prime rate or the banker's acceptance rate plus an applicable margin depending, in each case, on the ratio of consolidated debt to consolidated EBITDA.

On September 13, 2011, Western sold its wholly owned subsidiary StimSol for gross proceeds of approximately $24.0 million, which were used to reduce Western's bank indebtedness. Prior to the sale, StimSol carried on the business of Western's production services segment which included stimulation services, fluid pumping, and specialty solvents. This transaction resulted in a gain of approximately $10.1 million, which was recorded in discontinued operations in the consolidated financial statements.

On October 13, 2011, Western's Common Shares commenced trading on the TSX and its Common Shares were delisted from trading on the TSXV.

2010

Pursuant to an agreement made as of February 24, 2010 between Western and Horizon (the "**Horizon Agreement**"), Western, through a wholly-owned subsidiary 1520224 Alberta Ltd., agreed to make an offer to acquire all of the outstanding shares of Horizon for a total purchase price of approximately $41.4 million.

Pursuant to an agreement made as of February 24, 2010 between Western and Cedar Creek (the "**Cedar Creek Agreement**"), Western agreed to make an offer to acquire 100% of Cedar Creek's outstanding common shares on the basis of 2.66 Common Shares for each Cedar Creek common share.

On March 18, 2010, Western closed a bought deal financing (the "**2010 Financing**") with a syndicate of underwriters (the "**2010 Underwriters**") whereby the Corporation issued 375 million Common Shares (18,750,000 Common Shares Post-Consolidation) at a price of $0.20 per Common Share ($4.00 per Common Share Post-Consolidation) for gross proceeds of $75 million. A fee of 5% of the gross proceeds of the 2010 Financing was paid to the 2010 Underwriters.

On March 18, 2010 Western completed the acquisition of all of the outstanding shares of Horizon (the "**Horizon Acquisition**") for a total purchase price of approximately $41.4 million and the assumption of approximately $24.3 millionin debt.

Also on March 18, 2010 Western completed the acquisition of all of the outstanding shares of Cedar Creek (the "**Cedar Creek Acquisition**") for a total purchase price of $6.2 million based on the issuance of an aggregate of 20,517,331 Common Shares (1,025,866 Common Shares Post-Consolidation) at a ascribed price of $0.30 per Common Share ($6.00 per Common Share Post-Consolidation) which were issued to the holders of Cedar Creek common shares. Additionally, Western assumed approximately $12.6 million in debt.

On March 18, 2010, Horizon Drilling Inc., Cedar Creek and 1520224 Alberta Ltd. were amalgamated to form Horizon. Pursuant to both the Horizon Acquisition and the Cedar Creek Acquisition, Western acquired a fleet of 11 drilling rigs which were, on average, less that 4 years old.

On August 25, 2010 the Corporation acquired all of the issued and outstanding shares of Impact pursuant to a Plan of Arrangement (the "**Impact Acquisition**"). The total transaction value of the arrangement was approximately $19.8 million, which included the acquisition of shares, the assumption of debt and negative working capital. Immediately following closing, Horizon and Impact amalgamated to continue as one entity under the name Horizon. As a result, Horizon acquired four crewed drilling rigs and various ancillary drilling equipment.

On December 17, 2010 the Corporation acquired all of the issued and outstanding trust units of Pantera pursuant to a plan of arrangement (the "**Pantera Acquisition**"), for a total purchase price of approximately $74.6 million based on the issuance of 226,069,721 Common Shares (11,303,486 Common Shares Post-Consolidation) at an ascribed price of $0.33 per Common Share ($6.60 per Common Share Post-Consolidation). Additionally, Western assumed approximately $18.6 million in debt. Immediately following closing, Pantera and its subsidiaries were wound up into Horizon. As such, Horizon acquired seven crewed Efficient Long Reach drilling rigs and ancillary equipment pursuant to the Pantera Acquisition.

2009

On November 9, 2009, Western announced that it had closed a private placement offering of units, consisting of, in the aggregate, $3 million principal amount of convertible secured subordinated debentures (the "**Convertible Debentures**") and 30 million share purchase warrants. The private placement was a related party transaction under the rules of the TSXV, which required the Corporation 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 were issued for an initial 24 month term at an interest rate of 7%, payable monthly. The Debentures were convertible into Common Shares 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, $0.15 per share for the subsequent eight month period, and $0.20 per share for the subsequent eight months period thereafter. Each related share purchase warrant entitled the holder to acquire one Common Share upon payment of the exercise price of $0.10 and was to expire 24 months from the date of issue.

Western also announced the closing of the restructuring of its senior credit facility with its existing bank which provided for a further advance of $1,325,000, an interest only repayment period until December 31, 2009 and a re-amortization of the facility for a 48 month period from December 31, 2009. In addition, Western announced the restructuring of the Bridge Loan, previously made available to Westx, pursuant to which the accrued interest was capitalized and added to the principal amount of the Bridge Loan for a total outstanding indebtedness of $2.7 million and pursuant to which the interest rate on the Bridge Loan was decreased from 12% to 7% and the maturity date was extended to August 2011.

On December 22, 2009, the Corporation completed a capital restructuring (the "**Capital Restructuring**") pursuant to a recapitalization agreement dated December 8, 2009 (the "**Recapitalization Agreement**") which involved a non-brokered private placement (the "**Private Placement**") for gross proceeds of $7,000,000, the conversion of the Corporation's Bridge Loan, the Convertible Debentures (including the cancellation of the related Common Share purchase warrants) and other specified obligations into Common Shares, and the appointment of a new board of directors. The new board of directors (the "**New Board**") was comprised of Dale E. Tremblay, Steven C. Grant, Murray K. Mullen and John R. Rooney. The new management team ("**New Management**") of the Corporation, appointed December 8, 2009, was led by Dale E. Tremblay, as Chief Executive Officer, Alex MacAusland, as President and Chief Operating Officer and Jeffrey K. Bowers, as Vice President Finance and Chief Financial Officer.

Pursuant to the Private Placement, the New Board and New Management (or their respective nominees) subscribed for 50,500,000 units (2,525,000 Units Post-Consolidation) ("**Units**") of Western, at a price of $0.08 per Unit ($1.60 Post-Consolidation), for proceeds of approximately $4,000,000. In addition, 37,000,000 Common Shares (1,850,000 Common Shares Post-Consolidation)were issued at a price of $0.08 per Common Share ($1.60 per Common Share Post-Consolidation)to certain members of the New Board, certain previous directors of Western and certain other third parties for proceeds of approximately $3,000,000. Each Unit consisted of one Common Share and one Common Share purchase warrant ("**Warrant**") entitling the holder to purchase one Common Share at a price of $0.105 per Common Share ($2.10 Post-Consolidation) for a period of five years. The Warrants vested and became exercisable as to one-third upon the 20-day volume weighted average trading price of the Common Shares ("**Trading Price**") equalling or exceeding $0.16 ($3.20 Post-Consolidation), an additional one-third upon the Trading Price equalling or exceeding $0.24 ($4.80 Post-Consolidation) and a final one-third upon the Trading Price equalling or exceeding $0.32 ($6.40 Post-Consolidation). As such, all of the Warrants have now vested. The Common Shares and Warrants issued to the New Management and the New Board (or their respective nominees) under the Private Placement were subject to contractual escrow with one-third of such Common Shares and Warrants released on the 12th, 18th and 24th month following the closing date of the Private Placement. The Common Shares issued to the other investors under the Private Placement were subject to contractual escrow with one-third of such Common Shares released each six months following the closing date of the Private Placement. As such, the contractural escrow period for all of the Common Shares and Warrants has now expired.

In addition, the holders of the Corporation's Bridge Loan facility, Convertible Debentures (including the related Common Share purchase warrants) and other specified obligations (the "**Subordinated Debt**"), converted the existing Subordinated Debt of approximately $6,142,712 in exchange for 12,285,425 Common Shares (614,271 Post-Consolidation) at a price of $0.50 per Common Share ($10.00 per Common Share Post-Consolidation). The Subordinated Debt was converted at a 525% premium to the Private Placement issue price.

The proceeds from the Private Placement were used initially to repay the Corporation's bank debt obligations and for general corporate purposes.

Due to non-profitable performance, the Corporation took steps, during the latter part of 2009, to shut down both of its United States and Mexico operations and commence a process of moving some of the U.S. assets to its Canadian operations and selling the remainder of its U.S. Assets. Western completed the sale of approximately $4.0 million of those U.S. assets. The Corporation has also agreed to sell all of its Mexican assets which assets have now been sold.

Recent Developments

On January 30, 2012 Western completed a private offering of $175.0 million aggregate principal amount of 7⅞% senior unsecured notes due January 30, 2019 (the "**Notes**"). The Notes were issued at par. Western used the net proceeds from the offering to repay all of its outstanding indebtedness under its Secured Facilities and for general corporate purposes. As a result of the issuance of the Notes, Western voluntarily reduced its Revolving Facility from $150.0 million to $125.0 million. Western's Operating Facility of $10.0 million remains unchanged. As a result of the issuance of the Notes, the Corporation's financial covenants in its Revolving Facility related to the maximum consolidated senior debt to consolidated EBITDA ratio was reducted to 2.0 to 1.0 or less.

Significant Acquisitions

The Stoneham Acquistion was a significant acquisition. The Corporation filed a buisiness acquistion report (on the basis of NI Form 51-102 of the Securtities Act) with respect to the Stoneham Acqusition on June 14, 2011.

Anticipated Changes in the Business of the Corporation

Due to the experience of the management team, it has been their stated intention to focus their efforts in three core business lines encompassing contract drilling, well servicing rigs and rental services. The business plan has been to pursue strategic acquisitions and organic growth focused on strengthening and adding depth to these core business lines with an emphasis on attracting business from Canadian customers engaged in unconventional resource development. During 2011 the Corporation completed the acquisition of Stoneham which increased the Corporation's presence in the contract drilling business. Further, the Corporation incorporated Matrix and began the construction of five next generation well servicing rigs, all of which are now operating in the field. The Corporation intends to continue with its stated business plan during 2012 by expanding its well servicing business, continuing to evaluate expansion of its contract drilling business and to evaluate opportunities in the rental services business in both Canada and the United States.

DESCRIPTION OF THE CORPORATION'S BUSINESS AND OPERATIONS

General

The Corporation is an oilfield services company that provides contract drilling services through its wholly-owned subsidiary, Horizon in Canada and Stoneham in the United States. Additionally, subsequent to December 31, 2011, the Corporation commenced well servicing operations through its wholly-owned subsidiary Matrix.

Contract Drilling Services

Principal Market and Market for Services

Horizon provides contract drilling services in the Western Canadian Sedimentary Basin, while Stoneham provides contract drilling services in selected basins in the United States. The market demand for contract drilling services is subject to the capital expenditure budgets of oil and natural gas exploration and production companies. Such capital expenditures are influenced by the ability of oil and natural gas exploration and production companies to have sufficient cash flow or access to debt or equity financing. Market fluctuations, the price of crude oil, the price of natural gas, the supply and demand for oil and natural gas, the proximity and capacity of oil and natural gas pipelines and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, allowable production, the import and export of oil and natural gas, and environmental protection will be important factors in determining the number of oil and natural gas wells to be drilled by exploration and production companies and consequently, the demand for Western's contract drilling services.

Services and Contracts

Contract drilling services are performed using drilling rigs and auxiliary equipment pursuant to contracts from oil and natural gas exploration and production companies. Customers provide instructions to the Corporation regarding drilling locations and the desired depth of the oil or natural gas well to be drilled. If the well is productive and can be economically produced, the drilling rig will set the production casing or liner for the well. The drilling rig may complete the well or install a wellhead for completion at a later date by a well servicing rig.

Drilling contracts are awarded through competitive bidding or on a negotiated basis. In periods of low activity, more contracts are offered on a competitive bid basis. During periods of high activity, contracts are often awarded on a negotiated basis. Terms and rates will vary depending on competitive conditions, equipment and services to be supplied, the geographical area, the geological formation to be drilled, the on-site drilling conditions and the anticipated duration of the work. The drilling contractor provides the drilling rig and crew and is typically responsible for the payment of rig operating and maintenance expenses. Surface lease construction, rig mobilization expenses as well as third party rentals are generally paid by the oil and natural gas exploration and production company.

Horizon's contract drilling services are performed primarily pursuant to industry standard drilling contracts endorsed by both the Canadian Association of Oilwell Drilling Contractors (CAODC) and the Canadian Association of Petroleum Producers (CAPP). Stoneham's contracts outline the rights, responsibilities and obligations of Stoneham and the other parties to the contract. The contract can be for a specific well or number of wells or for a specific time period. Generally, contracts are carried out on a daywork basis. Pursuant to daywork contracts, the customer pays a fixed charge per day for the number of days to drill a well. Daywork contracts also provide for a day rate, or a lump sum amount, for mobilization of the rig to the well location and for rig up and rig down of the rig. Daywork contracts typically provide that the drilling company bears no part of the costs arising from downhole risks such as time delays for various reasons such as a blow-out or a stuck or broken drill string.

Equipment

The Corporation's contract drilling fleet currently includes 45 drilling rigs and associated equipment as set forth in the tables below:

Drilling Equipment	Depth	ELR (TM)	Total
Triple (3 – AC)	5,500m	√	3
Triple (2 – AC)	4,500m	√	6
Telescopic Double	4,500m	√	5
Telescopic Double	3,600m	√	15
Telescopic Double	3,300m	√	6
Telescopic Double	3,000m	√	1
Telescopic Single (4 – AC)	3,200m	√	7
Single (1 Telescopic)	2,000m		2
		Subtotal	**45**
Decommissioned Singles	1,600m		2
		Total Drilling Rigs	**47**

Additional Equipment	Total
Top Drives (67% of fleet)	30
Camps (2 – 5 unit camps)	2
Yards (Leduc, Alberta (2), Williston, North Dakota and El Reno, Oklahoma)	4

Western's drilling rigs have an average age of approximately 5.5 years, have modern designs, move and rig-up efficiently and enjoy a premium customer base. Western believes that its drilling assets will be in high demand as exploration and development of key resource plays requiring horizontal drilling continues to increase.

Competitive Conditions

The Corporation, through its operating subsidiaries, provides oilfield services primarily to the field operation locations of oil and natural gas exploration and production companies located in the Western Canadian Sedimentary Basin and select basins in the United States. The oilfield services business is highly competitive and in order to be successful, the Corporation and its subsidiaries must provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which the Corporation operates are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, a reputation for safety and price. The Corporation competes with several smaller and larger regional competitors. Competitors offer similar services in all geographic regions in which the Corporation operates.

Reduced levels of activity in the oil and natural gas industry can intensify competition and result in lower revenue to Western. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, will have an effect upon Western's ability to generate revenue and earnings. See "*Risk Factors – Intense Price Competition and Cyclical Nature of the Contract Drilling and Oilfield Services Industry*".

Cyclical and Seasonal Nature of Industry

The level of activity within the oil and natural gas industry in Canada and the northern part of the United States is influenced by seasonal weather patterns. This cyclical nature is also affected by geography; as activity further north is generally more affected by seasonal weather patterns. However, the annual drilling cycle affects the entire energy industry in Canada and the northern part of the United States and can generally be viewed in four components:

- Spring Break-up — occurs between mid-March and mid-June. The northern drilling locations thaw and southern lands become impractical for travel due to wet road and surface conditions. Drilling and other oilfield activity is generally low with oil and natural gas exploration and production companies planning for the summer drilling season.

- Summer and Fall Drilling Season — occurs between mid-June and mid-October, generally focused on areas that are accessible in the summer (i.e. not situated in areas covered with muskeg); summer drilling activity is generally not as strong as the winter drilling season.

- Switch Over to Winter Drilling Season — occurs between mid-October and mid-November and is characterized by lighter drilling activity when many companies are moving off summer drilling locations and preparing winter drilling leases for delivery of equipment.

- Winter Drilling Season — occurs between mid-November through mid-March and is the period when a large part of rig activity takes place and oil and natural gas exploration and production companies take advantage of the frozen landscape to access northern drilling locations.

The volatility in the weather and temperature can therefore create unpredictable activity and utilization rates, which can have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of oil and natural gas exploration and production companies and corresponding declines in the demand for the goods and services of the Corporation. See "*Risk Factors – Seasonality*".

Environmental Considerations

The oil and gas industry is regulated by a number of federal and provincial governmental bodies and agencies under a variety of complex federal and provincial legislation that sets forth numerous prohibitions and requirements, with respect to planning and approval processes related to land use, sustainable resource management, waste management, responsibility for the release of presumed hazardous materials, protection of wildlife and the environment and the health and safety of workers. Legislation provides for restrictions and prohibitions on the transport of dangerous goods and the release or emission of various substances, including substances used and produced in association with certain oil and natural gas industry operations. Legislation addresses various permits, drilling, well completion, installation of surface equipment, air monitoring, surface and ground water monitoring in connection with these activities, waste management and access to remote or environmentally sensitive areas.

Western is subject to the above noted regulatory regime, and as a consequence, the various environmental and health and safety statutes and regulations governing the manufacturing, processing, importation, transportation, handling and disposal of substances used in its operations. Government authorities have the power to make orders and take other actions (including enforcement action) to protect the environment and ensure safety, including licensing, equipment certification, environmental assessments, reclamation orders and safety regimes.

The Corporation is pro-active in its approach to environmental concerns. Procedures are in place to ensure that care is taken in the day-to-day management of the Corporation's oilfield services operations. All government regulations and procedures are followed in strict adherence to the law.

Employees

As at December 31, 2011, the Corporation had, together with its subsidiaries, 933 employees. As at March 21, 2012 the Corporation had, together with its subsidiaries,961 employees**.**

Reorganizations

On December 22, 2009, Western completed the Capital Restructuring. See "*General Development of the Business of the Corporation and its Operating Entities – Three Year History – 2009*".

On March 18, 2010, Western, through a wholly-owned subsidiary 1520224 Alberta Ltd. acquired all of the outstanding shares of Horizon and Cedar Creek. Immediately following the acquisitions, Horizon, Cedar Creek and 1520224 Alberta Ltd. were amalgamated continuing on as Horizon.

On August 25, 2010, the Corporation acquired all of the issued and outstanding shares of Impact. Immediately following the acquisition, Horizon and Impact amalgamated to continue on as Horizon.

On December 17, 2010, the Corporation acquired all of the issued and outstanding trust units of Pantera. Immediately following the acquisition, all of the units of Pantera were transferred from Western to Horizon. Subsequent to the transfer of the units of Pantera to Horizon, Pantera was dissolved and all of its assets and liabilities were assumed by Horizon.

On June 10, 2011, Western acquired all of the units of Stoneham Drilling Trust (the "Stoneham Trust"). Stoneham Trust was subsequently dissolved resulting in Western becoming the limited partner of Stoneham Drilling Limited Partnership ("Stoneham LP"). On July 31, 2011, Stoneham LP was wound up and the partners received their undivided interest in the net assets of Stoneham LP. Immediately following the windup of Stoneham LP, Western and the general partner of Stoneham LP amalgamated and continued as Western Energy Services Corp. On August 1, 2011, the net assets on Stoneham LP, including the shares of Stoneham, were transferred to Horizon

On June 20, 2011, the Corporation filed articles of amendment relating to the consolidation of the issued and outstanding common shares of the Corporation on the basis of one common share for each 20 then outstanding common shares on June 20, 2011.

Risk Factors

The following is a summary of certain risk factors relating to the business of the Corporation. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this document. Shareholders and potential shareholders should consider carefully the information contained herein and, in particular, the following risk factors.

Western's operations are dependent on the price of oil and natural gas and oilfield services industry conditions

Western sells its services to oil and natural gas exploration and production companies. Macroeconomic and geopolitical factors associated with oil and natural gas supply and demand are prime drivers for pricing and profitability within the oilfield services industry. Generally, when commodity prices are relatively high, demand for Western's services are high, while the opposite is true when commodity prices are low. The markets for oil and natural gas are separate and distinct. Oil is a global commodity with a vast distribution network. As natural gas is most economically transported in its gaseous state via pipeline, its market is dependent on pipeline infrastructure and is subject to regional supply and demand factors. However, recent developments in the transportation of liquefied natural gas in ocean going tanker ships have introduced an element of globalization to the natural gas market. Crude oil and natural gas prices are quite volatile, which accounts for much of the cyclical nature of the oilfield services business.

Worldwide military, political and economic events, including initiatives by the Organization of the Petroleum Exporting Countries and other major petroleum exporting countries, for instance, may affect both the demand for, and the supply of, oil and natural gas. Weather conditions, governmental regulation (both in Canada and elsewhere), levels of consumer demand, the availability of pipeline capacity, United States and Canadian natural gas storage levels and other factors beyond Western's control may also affect the supply of and demand for oil and natural gas and thus lead to future price volatility. A prolonged reduction in oil and natural gas prices would likely depress the level of exploration and production activity. Decreased levels of exploration and production activity would likely result in a corresponding decline in the demand for Western's services and could have a material adverse effect on its revenues, cash flows and profitability. Lower oil and natural gas prices could also cause Western's customers to seek to terminate, renegotiate or fail to honour its drilling contracts which could affect the fair market value of its rig fleet which in turn could trigger a write down for accounting purposes, affect its ability to retain skilled rig personnel and its ability to obtain access to capital to finance and grow its businesses. Any addition to or elimination or curtailment of government incentives could have a significant impact on the oilfield services industry in Canada. The level of activity in the Canadian oil and gas exploration and production industry is volatile. There can be no assurance that the future level of demand for Western's services or future conditions in the oil and natural gas and oilfield services industries will not decline.

Western's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. The collection of receivables may be adversely affected by any prolonged weakness in oil and natural gas prices.

Global Economic Uncertainty

Recent market events and conditions, including disruptions in the international credit markets and other financial systems, political unrest in the Middle East and the overall uncertainty surrounding global economic conditions, have caused significant volatility to commodity prices. Although economic conditions improved towards the latter portion of 2009 and in 2010, as anticipated, the recovery from the recession has been slow in various jurisdictions including in Europe and the United States and, during the latter part of 2011, has been negatively impacted by various ongoing factors including sovereign debt levels, political unrest and high levels of unemployment which continue to impact commodity prices and higher volatility in the stock market.

Seasonality

In Canada and the northern part of the United States, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. The spring thaw makes the ground unstable and less capable of supporting heavy weights. Consequently, municipalities and transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing drilling and well servicing activity levels. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues.

There is greater demand for oilfield services provided by the Corporation in the winter season when the occurrence of freezing permits the movement and operation of heavy equipment. Activities tend to increase in the fall and peak in the winter months of November through March. However, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. Volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Competition

The oilfield services industry is highly competitive and the Corporation competes with a substantial number of companies which have greater technical and financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with a number of small and medium-sized companies, which, like the Corporation, have certain competitive advantages such as low overhead costs and specialized regional strengths. Reduced levels of activity in the oil and natural gas industry can intensify competition and result in lower revenue to the Corporation. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, will have an effect upon the Corporation's ability to generate revenue and earnings.

Cyclical nature of the contract drilling industry

The contract drilling industry historically has been cyclical and has experienced periods of low demand, excess rig supply, and low day rates, followed by periods of high demand, short rig supply and increasing day rates. Periods of excess drilling rig supply intensify the competition in the industry and often result in rigs being idle. There are numerous contract drilling competitors in each of the markets in which Western competes. In all of those markets, an oversupply of drilling rigs can cause greater price competition. Contract drilling companies compete primarily on a regional basis, and the intensity of competition may vary significantly from region to region at any particular time. If demand for drilling services is better in a region where Western operates, its competitors might respond by moving in suitable drilling rigs from other regions, by reactivating previously stacked rigs or purchasing new drilling rigs. An influx of drilling rigs into a market area from any source could rapidly intensify competition and make any improvement in demand for drilling rigs short-lived.

The number of drilling rigs competing for work in the market areas where Western operates has increased due to the entry into those markets of newly-built or newly-refurbished rigs. Western expects that more of these newer rigs may enter its market areas in the future. The addition of these drilling rigs has and could continue to intensify price competition and possibly reduce customer demand for term drilling contracts, which would have an adverse effect on its revenues, cash flows and earnings.

Reliance on Key Personnel

The success of the Corporation is dependent upon its key personnel. The Corporation may, at times, not be able to find enough skilled labour to meet its needs, which could limit its growth. The Corporation may also have problems finding enough skilled and unskilled labourers in the future if demand for its services increases. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified rig personnel increased as a result of overall stronger demand for land drilling services until mid 2008 then decreased significantly due to the downturn in the oil and natural gas industry. Since then, demand for qualified rig personnel has increased as industry conditions improved and as new rigs are brought into service by the Corporation and its competitors. Increased demand has led to wage rate increases which may or may not be reflected by service rate increases.

Other factors may also inhibit the Corporation's ability to find enough workers to meet its employment needs. The work currently performed by the Corporation's employees requires skilled workers who can perform physically demanding work. As a result of volatility in oil and natural gas activity and the demanding nature of the work, workers may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive with the Corporation's. The Corporation believes that its success is dependent upon its ability to continue to employ and retain skilled technical personnel and qualified rig personnel. The Corporation's inability to employ or retain skilled technical personnel and qualified rig personnel generally could have a material adverse effect on its operations.

The Corporation's ability to provide reliable services is dependent upon the availability of well-trained, experienced crews to operate its field equipment. The Corporation must also balance the requirement to maintain a skilled workforce with the need to establish cost structures that fluctuate with activity levels. Within the Corporation the most experienced employees are retained during periods of low utilization by having them fill lower level positions on field crews. It is not uncommon for the Corporation's businesses to experience manpower shortages in peak operating periods.

These shortages are likely to be further exacerbated by the number of rigs being added to the industry along with the entrance and expansion of newly formed oilfield service companies.

Operating Risk and Insurance

The Corporation has an insurance and risk management program in place to protect its assets, operations and employees. The Corporation also has programs in place to address compliance with current safety and regulatory standards. However, the Corporation's operations are subject to risks inherent in the oilfield services industry such as equipment defects, malfunction, failures and natural disasters. These risks could expose the Corporation to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages. Although the Corporation has obtained insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Corporation's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Corporation were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Corporation were to incur such liability at a time when it is not able to obtain liability insurance, its business, financial condition, results of operations and cash flows could be materially adversely affected.

Vulnerability to Market Changes

Fixed costs, including costs associated with operations, leases, labour costs and depreciation will account for a significant portion of the Corporation's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Potential Replacement or Reduced Use of Products and Services

Certain of the Corporation's equipment may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be more preferable for environmental or other reasons. The Corporation will need to keep current with the changing market for oilfield services and technological and regulatory changes. If the Corporation fails to do so, this could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Technology Risks

The ability of the Corporation to meet customer demands with respect to performance and cost will depend upon continuous improvements in its operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

Dependence on Suppliers

Failure of suppliers to deliver equipment in a timely and efficient manner could be detrimental to the Corporation's ability to keep customers and to grow. In addition, certain equipment is manufactured specifically for the Corporation and the Corporation is dependent upon the continued availability of the manufacturer and the maintenance of the quality of manufacturing. No assurances can be given that the Corporation will be successful in maintaining its required supply of equipment.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and gas products, and any major changes could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Foreign Operations

Some of the Corporation's current operations and related assets are located in the United States. In addition, the Corporation's growth plans may contemplate establishing operations in other foreign countries, including countries where the political and economic systems may be less stable than those in North America. Risks of foreign operations include, but are not limited to, changes of laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange, inflation, repatriation of earnings, social unrest or civil war, acts of terrorism, extortion or armed conflict and uncertain political and economic conditions resulting in unfavourable government actions such as unfavourable legislation or regulation. While the impact of these factors cannot be accurately predicted, if any of the risks materialize, it could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Foreign Currency Exchange Risk

The Corporation is exposed to foreign currency fluctuations in relation to its US dollar capital expenditures and revenues and expenses derived from its foreign operations which are also denominated in U.S. dollars. In addition, the Corporation's U.S. subsidiary is subject to translation gains and losses on consolidation. Realized foreign exchange gains and losses are included in net earnings while foreign exchange gains and losses arising on the translation of the assets, liabilities, revenues and expenses of the Corporation's foreign operations are included in other comprehensive income in the Corporation's Annual Financial Statements.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

Western's business is affected by governmental regulations and policies

Certain activities conducted by Western are affected by factors that are beyond its control or influence. Western's contract drilling rig and well servicing rig businesses and activities in Canada and the United States are directly affected by fluctuations in exploration, development and production activity carried on by its customers which, in turn, is dictated by numerous factors including global energy prices and government policies. The addition, elimination or curtailment of government regulations and incentives could have a significant impact on the oil and natural gas business in Canada and abroad. These factors could lead to a decline in the demand for its services, resulting in a material adverse effect on revenues, cash flows and earnings.

Environmental Liability

The Corporation is subject to the operating risks inherent in the industry, including environmental damage. The Corporation has established programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Corporation's procedures will prevent environmental damage occurring from spills of materials handled by the Corporation or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Corporation may have the benefit of insurance maintained by it or the operator; however the Corporation 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.

Climate Change

The Corporation's exploration and production customers' facilities and other operations and activities emit greenhouse gases and require them to comply with greenhouse gas emissions legislation contained in Alberta and British Columbia or that may be enacted in other provinces. The Corporation and its customers may also be required to comply with the regulatory scheme for greenhouse gas emissions ultimately adopted by the federal government, which is now expected to be modified to ensure consistency with the regulatory scheme for greenhouse gas emissions adopted by the United States. The direct or indirect costs of these regulations may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. The future implementation or modification of greenhouse gases regulations could have a material impact on the nature of oil and natural gas operations of the Corporation's customers. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition.

Access to Additional Financing

The Corporation may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Corporation's growth and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Where additional financing is raised by the issuance of common shares of the Corporation ("**Common Shares**") or securities convertible into Common Shares, control of the Corporation may change and shareholders may suffer dilution to their investment. The Corporation's activities may also be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Interest Rate Risk

The Corporation is exposed to interest rate risk on a portion of its long-term debt specifically the Revolving Facility and the Operating Facility. Floating-rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate with changes in market interest rates.

Credit Risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to customers and partners in the form of outstanding accounts and notes receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

As stated above, the carrying amount of accounts receivable reflects management's assessment of the credit risk associated with its customers. The Corporation generally grants unsecured credit to its customers; however, the Corporation applies rigorous evaluation procedures to all new customers and analyzes and reviews the financial health of its current customers on an ongoing basis. The allowance for doubtful accounts and past due receivables are reviewed by management on a monthly basis. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Corporation takes into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Corporation accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual amount receivable. When a receivable balance is considered uncollectible it is written off against the allowance for doubtful accounts. Subsequent recovery of amounts previously written off is included in net earnings.

Based on the nature of its operations, the Corporation will always have a concentration of credit risk as a substantial portion of the Corporation's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due or can do so only at excessive cost. The Corporation maintains what it believes to be a conservatively leveraged balance sheet and can finance any future growth through one of or a combination of internally generated cash flows, borrowing under existing credit facilities, the issuance of debt or the issuance of equity, according to its capital management objectives. Given the Corporation's currently available liquid resources as compared to its contractual obligations, management assesses the Corporation's liquidity risk to be low.

Agreements and Customers

The business operations of the Corporation may depend on written or verbal, performance based agreements with its customer base that are cancellable at any time by either the Corporation or its customers. Additionally, Western's customer base is concentrated and a loss of a significant customer could cause its revenue to decline substantially. There can be no assurance that the Corporation's relationships with its clients will continue.

A significant reduction or total loss of the business from customers, if not offset by sales to new or existing customers, could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Western's indebtedness contains restrictive covenants

The Secured Facilities and the Notes impose or will impose, significant operating and financial restrictions on Western. These restrictions will limit its ability and that of its restricted subsidiaries to, among other things:

- pay dividends on, repurchase or make distributions in respect of its capital stock or make other restricted payments;
- incur additional indebtedness and issue preferred or disqualified stock;
- create liens;
- create or permit to exist restrictions on the ability of its restricted subsidiaries to make certain payments and distributions;
- engage in amalgamations, mergers or consolidations or sell or otherwise dispose of all or substantially all of its assets;
- make certain dispositions and transfers of assets;
- alter the businesses it conducts;
- engage in transactions with affiliates; and
- designate subsidiaries as unrestricted subsidiaries.

In addition, under the Secured Facilities, Western is and will be required to satisfy and maintain certain financial ratio tests. Western's ability to meet such tests could be affected by events beyond its control, and it may not be able to meet such tests. These ratios may be changed by the lenders in certain circumstances.

A breach of any of these covenants could result in a default under the Secured Facilities and the Indenture. Upon the occurrence of an event of default under the Secured Facilities, the lenders could elect to declare all amounts outstanding under the Secured Facilities to be immediately due and payable and terminate all commitments to extend further credit. If Western is unable to repay those amounts, the lenders under the Secured Facilities could proceed to realize upon the collateral granted to them to secure that indebtedness. If the lenders under the Secured Facilities accelerate the repayment of borrowings, Western may not have sufficient assets to repay the Secured Facilities as well as its unsecured indebtedness, including the Notes. The acceleration of Western's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. If Western's indebtedness is accelerated, it may not be able to repay its indebtedness or borrow sufficient funds to refinance it. Even if Western is able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to Western. The restrictions contained in the Secured Facilities or Indenture may adversely affect its ability to finance its future operations and capital needs and to pursue available business opportunities. Moreover, any new indebtedness Western incurs may impose financial restrictions and other covenants on it that may be more restrictive than its Secured Facilities or Indenture.

Future Sales of Common Shares by the Corporation

The Corporation may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Corporation or negatively affect the market price of the Common Shares. The Corporation's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Corporation have the discretion to determine the provisions attaching to any series of the preferred shares and the price and the terms of issue of further issuances of Common Shares. Also, additional Common Shares will be issued by the Corporation on the exercise of stock options under the Corporation's stock option plan, or pursuant to other share compensation arrangements.

DIVIDEND POLICY

The Corporation has not declared or paid any dividends since its incorporation. Any decision to pay dividends on the Common Shares will be made by the Board of Directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time.

DESCRIPTION OF THE CORPORATION'S SECURITIES

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of March 21, 2012, the Corporation had 58,533,287 Common Shares and no preferred shares issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of the Corporation.

Common Shares

Holders of Common Shares are entitled to dividends as and when declared by the Board of Directors, to one vote per share at meetings of Shareholders and, upon liquidation, to receive such assets of the Corporation as are distributable to the shareholders of the Corporation, subject to the rights of holders of Preferred Shares having priority over the Common Shares. All of the Common Shares issued and outstanding have been issued as fully paid and non assessable.

Preferred Shares

The Preferred Shares may be issued from time to time in one or more series, each series consisting of the number of shares and having the designation, rights, privileges, restrictions and conditions which the Board of Directors determines prior to the issue thereof. The Preferred Shares rank prior to the Common

Shares with respect to the payment of dividends and distribution in the event of liquidation, dissolution or winding up of the Corporation. There are no Preferred Shares issued and outstanding.

Notes

In addition, on January 30, 2012 the Corporation completed the sale of the Notes which were issued at par. Western used the net proceeds from the offering to repay all of its outstanding indebtedness under its Secured Facilities and for general corporate purposes. As a result of the issuance of the Notes, Western voluntarily reduced its Revolving Facility from $150.0 million to $125.0 million. Western's Operating Facility of $10.0 million remains unchanged.

Ratings

S&P has assigned an issuer credit rating of B+ (stable outlook) to Western and an issue credit rating of B+ and recovery rating of 3 to the Notes. Moody's has assigned a corporate family credit rating of B2 to Western and a long-term obligation rating of B3 to the Notes.

S&P's long-term issuer and long-term issue credit rating scales range from AAA to D, which represents the range from highest to lowest quality. As stated by S&P, an issuer credit rating is a forward-looking opinion about an issuer's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the issuer's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers or other forms of credit enhancement on the obligation. As stated by S&P, an issue credit rating is a forward-looking opinion about the creditworthiness of an issuer with respect to a specific financial obligation, a specific class of financial obligations or a specific financial program. It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P's view of the issuer's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default. S&P's issue credit ratings are based, in varying degrees, on S&P's analysis of the likelihood of payment, the nature of and provisions of the obligation, and the protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights. Further, an S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. As stated by S&P, a "stable" outlook means that a rating is not likely to change. A rating of "B" is the 6th highest of ten major categories. According to S&P, an issuer rated "B" is more vulnerable than higher-rated entities, but the issuer currently has the capacity to meet its financial commitments. Adverse business, financial or economic conditions will likely impair the issuer's capacity or willingness to meet its financial commitments. According to S&P, an obligation rated "B" is more vulnerable to non-payment than higher-rated obligations, but the issuer currently has the capacity to meet its financial commitment on the obligation. However, exposure to adverse business, financial, or economic conditions, could impair the issuer's capacity or willingness to meet its financial commitments on the obligation. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category.

Moody's long-term obligation and corporate family rating scales range from Aaa to C, which represents the range from highest to lowest quality. As stated by Moody's, a long-term obligation rating is an opinion of the relative credit risk of financial obligations with an original maturity of one year or more. The rating addresses the possibility that a financial obligation will not be honoured as promised. As stated by Moody's, a corporate family rating is an opinion of a corporate family's ability to honour all of its financial obligations. A corporate family rating does not reference an obligation or class of debt and thus does not reflect priority of claim. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default. A rating of "B" is the 6th highest of ten major categories. According to Moody's, obligations rated "B" are considered speculative and subject to high credit risk. The addition of a 1, 2 or 3 modifier after a rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category. Each rating agency has several categories of long-term debt ratings that may be assigned to a particular issue or issuer. Prospective purchasers of the Notes should consult the respective rating agency with respect to the interpretation and implication of the foregoing ratings and outlooks.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuer of securities. The credit ratings accorded to the Corporation and the Notes are not recommendations to purchase, hold or sell such securities inasmuch as such ratings are not a comment upon the market price of the securities or their suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

MARKET FOR SECURITIES

Trading Price and Volume of Western's Common Shares

The following table sets forth the price range trading volume of the Common Shares on the TSXV and the TSX for the periods indicated on a Post-Consolidation basis.

	Price Range		
2011	**High ($)**	**Low ($)**	**Volume**
January	8.00	6.40	2,960,851
February	8.80	7.80	1,504,994
March	8.50	7.20	877,231
April	9.40	5.00	2,288,862
May	9.30	7.70	1,361,185
June	8.10	6.85	1,804,543
July	9.84	7.01	3,745,606
August	9.85	6.90	2,850,551
September	8.75	6.85	3,703,544
October [(1)]	8.90	7.08	1,680,731
November	8.69	6.97	1,564,384
December	8.60	7.74	1,528,562

2012	**High ($)**	**Low ($)**	**Volume**
January	8.97	8.40	2,712,017
February	9.79	8.64	1,253,732
March 1- 21	9.85	8.50	2,170,962

Note:

(1) The shares traded on the TSXV until October 12, 2011 and began trading on the TSX from October 13, 2011.

Prior Sales

The following table sets forth, for each class of securities of the Corporation that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the financial year ended December 31, 2011 and the number of securities of the class issued at that price and the date on which the securities were issued.

Description [1]	Number of Securities [2]	Price per Security[3]	Date of Issuance
Options	127,500	$6.70	January 14, 2011
Options	170,000	$8.00	April 15, 2011
Options	347,500	$7.50	June 18, 2011
Options	40,000	$7.20	June 21, 2011
Options	5,000	$7.50	June 27, 2011
Options	353,500	$8.75	August 12, 2011
Options	40,000	$8.59	August 30, 2011
Options	30,000	$8.42	September 6, 2011
Options	30,000	$7.94	September 12, 2011
Options	12,500	$7.62	September 28, 2011
Options	1,000	$8.75	October 7, 2011
Options	176,500	$7.41	November 25, 2011
Options	25,000	$7.74	December 1, 2011

Notes:
(1) "Options" means options to purchase Common Shares pursuant to Western's Stock Option Plan.
(2) Post-Consolidation.
(3) Represents the exercise price per stock option - Post-Consolidation.

DIRECTORS AND OFFICERS

The following table sets forth the name, place of residence, date first elected as a director of Western and positions for each of the directors and officers of Western, together with their principal occupations during the last five years. The directors of Western shall hold office until the next annual meeting of shareholders or until their respective successors have been duly elected or appointed.

Name and Place of Residence	Position with Western	Director or Officer of Western Since	Principal Occupation and Positions for the Past Five Years
Donald D. Copeland [1][2] British Columbia, Canada	Director	June 17, 2011	Mr. Copeland is an independent businessman. Mr. Copeland was the Chairman of Stoneham Administration Inc. administrator of Stoneham Drilling Trust from June 4, 2008 to June 17, 2011. Prior thereto Mr. Copeland was the Executive Chairman of Upper Lake Oil and Gas Ltd. from October 2007 to August 2008. Prior thereto, Mr. Copeland was Chairman and Chief Executive Officer of Diamond Tree Energy Ltd. and its predecessor from May 2001 to October 2007.
Lorne A Gartner [1][2] Alberta, Canada	Director	June 16, 2011	Mr. Gartner is an independent businessman. Formerly, Mr. Gartner was a Managing Director of Royal Bank of Canada Capital Markets, a position he held from 2000 to 2006. Prior to that time, Mr. Gartner was a Vice President of Royal Bank of Canada, Calgary Energy Group.
Steven C. Grant[1][2] Houston, Texas	Director	December 22, 2009	Mr. Grant is an independent businessman and was formerly a Houston-based Managing Director of Energy Investment Banking with Raymond James & Associates; a New York Stock Exchange ("NYSE") listed investment banking and brokerage firm. Mr. Grant held such position from 1996 through February 2008.

Name and Place of Residence	Position with Western	Director or Officer of Western Since	Principal Occupation and Positions for the Past Five Years
Ronald P. Mathison (1)(2) Alberta, Canada	Director	December 17, 2010	Mr. Mathison is the President and Chief Executive Officer of Matco Investments Ltd. and Matco Capital Ltd., private investment firms which specialize in providing capital and management expertise to companies in which they have an interest.
Murray K. Mullen(1)(2) Alberta, Canada	Director	December 22, 2009	Mr. Mullen is the Chairman of the Board and Chief Executive Officer of Mullen Group Ltd.
John R. Rooney(1)(2) Alberta, Canada	Director	December 22, 2009	Mr. Rooney is currently the Chairman and Chief Executive Officer of Northern Blizzard Resources Inc., a private oil and gas company, since November 2009. From December 2007 to April 2009 Mr. Rooney was the Chief Executive Officer of Tusk Energy Inc., a public oil and gas company.
Dale E. Tremblay Alberta, Canada	Chief Executive Officer and Director	Chief Executive Officer since December 8, 2009; Director since December 22, 2009	Mr. Tremblay is the Chairman and Chief Executive Officer of Western Energy Services Corp. From August 2005 to December 2009, Mr. Tremblay was the President and Chief Executive Officer of Saxon Energy Services Inc. Mr. Tremblay was also a member of the Board of SES Holdings Limited, parent company of Saxon Energy Services Inc. from August 2008 until April 2011 and Chairman of the Board of SES Holdings Limited from January 2010 until April 2011.
Alex MacAusland Alberta, Canada	President & Chief Operating Officer	December 8, 2009	Mr. MacAusland is the President and COO of Western. From February 2008 to December 2009 Mr. MacAusland was the President and CEO of Horizon Drilling Inc., a western Canadian based drilling and service provider, From 2006 to 2008, Mr. MacAusland was the Senior Vice President of IROC Energy Services Corp. Mr. MacAusland is also a member of the Board of the Canadian Association of Oilwell Drilling Contractors.
Jeffrey K. Bowers Alberta, Canada	Vice President Finance & Chief Financial Officer	December 8, 2009	Mr. Bowers is the Vice President Finance and Chief Financial Officer of Westerrn. From April 2008 to Decembr 2009, Mr. Bowers was the Vice President Finance and CFO with Horizon Drilling Inc. Previously, Mr. Bowers was the Chief Financial Officer at FracSource Inc. from 2005 to 2008 prior to its divestiture.
Jan M. Campbell Alberta, Canada	Corporate Secretary	December 22, 2009	Ms. Campbell is the President of Comply Inc., a consulting firm which provides corporate secretarial services, since December 2005.

Notes:
(1) Member of the Audit Committee.
(2) Member of the Corporate Governance and Compensation Committee.

As at March 21, 2012, the current officers and directors of Western, as a group, beneficially own or direct or control, directly and indirectly, an aggregate of 9,242,745 Common Shares, being approximately 15.8% of the outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

No director or executive officer of the Corporation is, as at the date of this Annual Information Form, or has been, within the last 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company, that:

(i) was subject to a cease trade order, a similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to a cease trade order, similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

Except as set forth below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(i) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation regarding bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(ii) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Dale E. Tremblay was a director of Liv Spa Inc., a private company that was placed into voluntary bankruptcy on August 22, 2008, which bankruptcy was completed on December 4, 2009.

Penalties or Sanctions

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Western will be subject in connection with the operations of Western. In particular, certain of the directors and officers of Western may be involved with other oilfield services entities whose operations may, from time to time, be in direct competition with those of Western or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Western. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event a director or officer of a company is a party to, or is a director or officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with Western, the director shall disclose his interest in such contract and, in the case of directors, shall refrain from voting on any matter in respect of such contract unless otherwise provided by the ABCA.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Audit Committee of Western ("**Audit Committee**") is responsible for reviewing the Corporation's financial reporting procedures, internal controls and the performance of the external auditors. The Audit Committee Charter of Western is set forth as Appendix "A" of this Annual Information Form.

Composition of the Audit Committee

The current members of the Audit Committee are John R. Rooney (Chairman), Donald D. Copeland, Lorne A. Gartner, Steven C. Grant, Ronald P. Mathison and Murray K. Mullen. The Audit Committee is a standing committee appointed by the board of directors of Western to assist the board of directors of Western in fulfilling its oversight responsibilities with respect to the financial reporting by the Corporation. Each member of the Audit Committee is independent as defined under Multilateral Instrument 52-110 *Audit Committees* ("**MI 52-110**") and none received any compensation, directly or indirectly, from Western other than for services as a member of the board of directors of Western and its committees, as applicable. All members of the Audit Committee are financially literate as defined in MI 52-110.

Relevant Education and Experience of Members of the Audit Committee

John R. Rooney (Chairman)

Mr. Rooney has been the Chairman and Chief Executive Officer of Northern Blizzard Resources Inc., a private oil and gas company, since November 2009. From December 2007 to April 2009 Mr. Rooney was the Chief Executive Officer of Tusk Energy Inc., a public oil and gas company. From 2005 to 2007, Mr. Rooney was the President and Chief Executive Officer of Zenas Energy Inc., a public oil and gas company. Mr. Rooney is a Chartered Accountant, a Chartered Business Valuator and holds a B.A., Economics degree from the University of Western Ontario.

Donald D. Copeland

Mr. Copeland was the Chairman of Stoneham Administration Inc. administrator of Stoneham Drilling Trust from June 4, 2008 to June 17, 2011. Prior thereto Mr. Copeland was the Executive Chairman of Upper Lake Oil and Gas Ltd. from October 2007 to August 2008. Prior thereto, Mr. Copeland was Chairman and Chief Executive Officer of Diamond Tree Energy Ltd. and its predecessor from May 2001 to October 2007. Mr. Copeland received a BSc. in Chemical Engineering from the University of Calgary and he is a graduate of the Director's Education Program sponsored by the Institute of Corporate Directors.

Lorne A. Gartner

Mr. Gartner is an independent businessman. Mr. Gartner was the Managing Director of Royal Bank of Canada Capital Markets, a position he held from 2000 to 2006. Prior to that time, Mr. Gartner was a Vice President of Royal Bank of Canada, Calgary Energy Group. Mr. Gartner received a B. Comm. (financing major) from the University of Alberta.

Steven C. Grant

Mr. Grant is an independent businessman who was formerly a Houston-based Managing Director of Energy Investment Banking with Raymond James & Associates; a New York Stock Exchange ("NYSE") listed investment banking and brokerage firm. Mr. Grant held such position from 1996 through February 2008. Prior to joining Raymond James & Associates, Mr. Grant was the Senior Vice President and Chief Financial Officer of Enterra Corporation, a NYSE listed oilfield service company, for a period of nine years. Mr. Grant received his MBA (Finance) from Harvard Graduate School of Business Administration in 1966 and a Bachelor of Arts (Economics) from Yale University in 1964.

Ronald P. Mathison

Mr. Mathison is the President and Chief Executive Officer of Matco Investments Ltd. and Matco Capital Ltd., private investment firms which specialize in providing capital and management expertise to companies in which they have an interest. Mr. Mathison has extensive experience in restructuring and financing corporations in both the public and private markets and is founder and Chairman of Calfrac Well Services Ltd. and Tesla Exploration Ltd. Until 2000, Mr. Mathison was a director and principal of Peters & Co. Limited, an investment firm specializing in the oil and natural gas industry. Prior thereto, Mr. Mathison and two other individuals formed the nucleus of Peters & Co. Capital, a private merchant banking equity firm that is widely associated with numerous restructurings of oil and natural gas exploration and production companies and oilfield service companies. Mr. Mathison received a B.Comm (Hons) from the University of Manitoba and has earned Chartered Accountant, Chartered Business Valuator, and Chartered Financial Analyst designations.

Murray K. Mullen

Mr. Mullen is the Chairman of the Board and Chief Executive Officer of Mullen Group Ltd. Mr. Mullen joined the Mullen Group of companies in 1977 after graduating from the University of Calgary with a Bachelor of Arts (Economics) degree and has served in various capacities with Mullen Group, including as President and Chief Executive Officer, positions that he held from 1991 through September 2004.

Audit Committee Oversight

At no time since the commencement of Western's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee has delegated to the Chairman of the Audit Committee (or such other member of the Audit Committee who may be delegated authority), the authority to act on behalf of the Audit Committee between meetings of the Audit Committee with respect to the pre-approval of audit and permitted non-audited services provided by Deloitte & Touche LLP. The Audit Committee is required to be notified of any non-approved services over and above audit and tax. The Chairman reports on any such pre-approval at the next meeting of the Audit Committee.

Auditor Service Fees

Deloitte & Touche LLP was appointed as auditors of Western by the Board of Directors effective January 10, 2010. Fees paid to Deloitte & Touche LLP are detailed in the following table:

Type of Service Provided (all figures in Cdn$)	**2011**	**2010**
Audit fees (including quarterly reviews)	307,160	186,192
Audit-related fees	71,293	1,275
Tax fees	535,428	177,447
All other fees	291,854	208,794
TOTAL	**1,205,735**	**573,708**

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, there were no material interests, direct or indirect, of directors or executive officers of Western, any holder of Common Shares who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or is reasonably expected to materially affect Western.

MATERIAL CONTRACTS

The only material contracts entered into by Western during the most recently completed financial year, or before the most recently completed financial year that are still in effect, other than contracts entered into in the ordinary course of business, or entered into since the end of the most recently completed financial year, are as follows:

1. the Underwriting Agreement 2011 (as more particularly described under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History 2011*" above).

2. the Stoneham Arrangement Agreement (as more particularly described under "*General Development of the Business of the Corporation and its Operating Entities – Three Year History 2011*" above).

The documents referenced above have been filed on SEDAR and are available at www.sedar.com.

TRANSFER AGENT AND REGISTRAR OF THE CORPORATION

Valiant Trust Company, 310, 606 - 4th Street SW, Calgary, AB T2P 1T1, is the transfer agent and registrar of the Common Shares.

INTERESTS OF EXPERTS

Other than disclosed herein, there is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year Deloitte & Touche LLP is the Auditor of the Corporation. Deloitte & Touche LLP, Chartered Accountants is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Western is not a party to any legal proceeding nor was it a party to, nor is or was any of its property the subject of any legal proceeding, during the financial year ended December 31, 2011, nor is Western aware of any such contemplated legal proceedings, which involve a claim for damages exclusive of interest and costs that may exceed 10% of the current assets of Western.

During the year ended December 31, 2011, there were no (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Common Shares and securities authorized for issuance under equity compensation plans, is contained in the Corporation's information circular for the most recent annual meeting of shareholders that involved the election of directors of Western.

Additional financial information is provided for in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2011.

APPENDIX 'A'

WESTERN ENERGY SERVICES CORP. (the "CORPORATION")
AUDIT COMMITTEE CHARTER

Purpose

1. The purpose of the Audit Committee (the "**Committee**") is to:

    (a) review and recommend to the Board for acceptance, prior to their public release, all material financial information required to be gathered and disclosed to the public by the Corporation;

    (b) oversee management designed and implemented accounting systems and internal controls; and

    (c) recommend to the Board of Directors, engage and arrange for the compensation of the external auditor to the Corporation.

Composition

2. The Corporation, as a reporting issuer, must have a Committee that complies with National Instrument 52-110 ("**NI 52-110**"). The Committee must be comprised of at least three members of the Board to serve at the pleasure of the Board. Each member will at all times be independent and financially literate as those terms are defined in NI 52-110.

Meetings

3. The Committee is required to meet in person, or by telephone conference call, at least once each quarter and as often thereafter as required to discharge the duties of the Committee.

4. The Chair of the Committee appointed by the Board will, in consultation with management, establish the agenda for meetings.

5. A quorum for a meeting of the Committee shall be a majority of members present in person or by telephone conference call.

6. Notice of the time and place of every meeting shall be given in writing, by email or facsimile to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided that a member may in any manner waive a notice of meeting.

Responsibilities of the Committee

7. The Committee's primary responsibilities are to:

    (a) have a written charter that sets out its mandate and responsibilities;

    (b) be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of any disagreements between management and the external auditor regarding financial reporting.

(c) monitor the management of the principal risks that could impact the financial reporting of the Corporation;

(d) monitor the integrity of the Corporation’s financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

(e) provide an avenue of communication among the external auditors, management and the Board;

(f) ensure that the external auditor reports directly to the Committee.

Authority of the Committee

8. The Committee must have the authority to:

(a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;

(b) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(c) set and instruct the Corporation to pay the compensation for any advisors employed by the Committee;

(d) communicate directly with the internal and external auditors of the Corporation;

(e) annually recommend to the Board the appointment of the external auditor, and their compensation;

(f) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its external auditors', or the external auditors of the Corporation's subsidiary entities and the Committee may delegate to one or more independent members, the authority to pre-approve non-audit services which must then be presented to the Committee at its first scheduled meeting following such pre-approval;

(g) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the Change of Auditor Notice called for by National Instrument 51-102 and as required by other applicable securities regulation, and the planned steps for an orderly transition period

9. The Committee must establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

10. The Committee must review and approve the hiring of any partners, employees and former partners and employees of the present and former external auditors.

11. The Committee shall:

(a) review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities

(b) review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.

(c) establish a periodic review procedure to ensure that the external auditor complies with the Canadian Public Accountability Regime under National Instrument 52-108 – *Auditor Oversight*.

(d) inquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Committee by any member of the Board, a shareholder of the Corporation, the external auditors, or senior management.

(e) review the audit plan with the Corporation's external auditors and with management;

(f) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;

(g) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;

(h) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

(i) review audited annual financial statements and related documents in conjunction with the report of the external auditors;;

(j) review the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases and with financial management and the external auditors before release to the public;

(k) be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and must periodically assess the adequacy of such procedures.

(l) at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.

(m) assess, on an annual basis, the adequacy of this Charter.

Approved by the Board of Directors November 9, 2011