



Third Quarter 2021 Management's Discussion and Analysis

Date: October 25, 2021

The following discussion of the financial condition, changes in financial condition and results of operations of Western Energy Services Corp. (the "Company" or "Western") should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2020 and 2019, management's discussion and analysis ("MD&A") for the year ended December 31, 2020, as well as the condensed consolidated financial statements and notes as at and for the three and nine months ended September 30, 2021 and 2020. This MD&A is dated October 25, 2021. All amounts are denominated in Canadian dollars (CDN\$) unless otherwise identified.

Financial Highlights (stated in thousands, except share and per share amounts)	Three months ended Sept 30			Nine months ended Sept 30		
	2021	2020	Change	2021	2020	Change
Revenue	32,960	13,438	145%	90,315	76,005	19%
Adjusted EBITDA ⁽¹⁾	5,009	2,270	121%	14,097	14,668	(4%)
Adjusted EBITDA as a percentage of revenue	15%	17%	(12%)	16%	19%	(16%)
Cash flow (used in) from operating activities	(2,524)	(1,560)	62%	8,395	25,712	(67%)
Additions to property and equipment	1,331	150	787%	4,759	983	384%
Net loss	(10,397)	(10,486)	(1%)	(29,791)	(33,858)	(12%)
-basic and diluted net loss per share	(0.11)	(0.12)	(8%)	(0.33)	(0.37)	(11%)
Weighted average number of shares						
-basic and diluted	91,399,672	91,040,679	-	91,262,459	91,283,205	-
Outstanding common shares as at period end	91,680,182	91,165,112	1%	91,680,182	91,165,112	1%
Operating Highlights⁽²⁾						
Contract Drilling						
<i>Canadian Operations</i>						
Average active rig count	9.0	2.3	291%	8.0	5.1	57%
End of period rig count	49	49	-	49	49	-
Operating Days	824	208	296%	2,185	1,389	57%
Revenue per Operating Day	20,999	21,723	(3%)	21,035	24,648	(15%)
Drilling rig utilization	18%	5%	260%	16%	10%	60%
CAOEC industry average utilization - Operating Days ⁽³⁾	27%	9%	200%	23%	16%	44%
<i>United States Operations</i>						
Average active rig count	1.1	0.1	1,000%	1.1	0.6	83%
End of period rig count	8	8	-	8	8	-
Operating Days	98	9	989%	287	158	82%
Revenue per Operating Day (US\$)	17,419	20,224 ⁽⁴⁾	(14%)	15,404	24,312 ⁽⁴⁾	(37%)
Drilling rig utilization	13%	1%	1,200%	13%	7%	86%
Production Services						
<i>Canadian Operations</i>						
Average active rig count	18.1	11.8	53%	17.7	13.7	29%
End of period rig count	63	63	-	63	63	-
Service Hours	16,685	10,893	53%	48,277	37,427	29%
Revenue per Service Hour	727	656	11%	717	696	3%
Service rig utilization	29%	19%	53%	28%	22%	27%

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

(2) See "Defined Terms" on page 16 of this MD&A.

(3) Source: The Canadian Association of Energy Contractors ("CAOEC") monthly Contractor Summary. The CAOEC industry average is based on Operating Days divided by total available drilling days.

(4) Excludes shortfall commitment revenue from take or pay contracts of US\$0.3 million and US\$5.0 million respectively, for the three and nine months ended September 30, 2020.

Financial Position at (stated in thousands)	September 30, 2021	December 31, 2020	September 30, 2020
Working capital	607	15,997	5,603
Total assets	460,872	495,625	488,470
Long term debt	228,263	237,633	226,719

Non-International Financial Reporting Standards ("Non-IFRS") measures, such as Adjusted EBITDA, are defined on page 15 of this MD&A. Abbreviations for standard industry terms are included on page 16 of this MD&A.

Business Overview

Western is an energy services company that provides contract drilling services and production services in Canada and the United States ("US") through its various divisions, subsidiaries, and first nations joint venture.

Contract Drilling Services

Western operates a fleet of 57 drilling rigs specifically suited for drilling complex horizontal wells across Canada and the US. Western is currently the fourth largest drilling contractor in Canada, based on the Canadian Association of Energy Contractors ("CAOEC") registered drilling rigs¹.

Production Services

Production Services provides well servicing and oilfield equipment rentals primarily in Canada. Western operates 66 well servicing rigs and is the third largest well servicing company in Canada based on CAOEC registered well servicing rigs².

Western's contract drilling and well servicing rig fleets comprise the following:

September 30									
Drilling rigs						Well servicing rigs			
Rig class ⁽¹⁾	2021			2020			2021		2020
	Canada	US	Total	Canada	US	Total	Mast type	Total	Total
Cadium	23	2	25	23	2	25	Single	33	33
Montney	19	-	19	19	-	19	Double	25	25
Duvernay	7	6	13	7	6	13	Slant	8	8
Total	49	8	57	49	8	57		66	66

(1) See "Defined Terms" on page 16 of this MD&A.

Business Environment

Crude oil and natural gas prices impact the cash flow of Western's customers, which in turn impacts the demand for Western's services. The following table summarizes average crude oil and natural gas prices, as well as average foreign exchange rates, for the three and nine months ended September 30, 2021 and 2020.

	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Average crude oil and natural gas prices⁽¹⁾⁽²⁾						
Crude Oil						
West Texas Intermediate (US\$/bbl)	70.56	40.93	72%	64.82	38.31	69%
Western Canadian Select (CDN\$/bbl)	71.77	42.41	69%	65.40	32.98	98%
Natural Gas						
30 day Spot AECO (CDN\$/mcf)	3.72	2.35	58%	3.39	2.18	56%
Average foreign exchange rates⁽²⁾						
US dollar to Canadian dollar	1.26	1.33	(5%)	1.25	1.35	(7%)

(1) See "Abbreviations" on page 16 of this MD&A.

(2) Source: Sproule September 30, 2021 Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average improved by 72% and 69% for the three and nine months ended September 30, 2021 respectively, compared to the same periods in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil increased by 69% and 98% respectively, for the three and nine months ended September 30, 2021, compared to

¹ Source: CAOEC Contractor Summary as at October 25, 2021.

² Source: CAOEC Fleet List as at October 25, 2021.

the same periods in the prior year. Crude oil prices in 2020 for both Canada and the US were significantly impacted by the COVID-19 pandemic. However, in 2021 pricing has improved as demand for crude oil recovers and vaccine rollouts continue worldwide. Natural gas prices in Canada also strengthened in 2021, as the 30-day spot AECO price improved by 58% and 56% respectively, for the three and nine months ended September 30, 2021, compared to the same periods of the prior year. Offsetting this increase in pricing, the US dollar to the Canadian dollar foreign exchange rate weakened in the three and nine months ended September 30, 2021, compared to the same periods of the prior year, which impacted the cash flows of Western's Canadian customers, when selling US dollar denominated commodities.

In the United States, industry activity improved in the third quarter of 2021. As reported by Baker Hughes Company³, the number of active drilling rigs in the United States increased by approximately 98% to 528 rigs at September 30, 2021, as compared to 266 rigs at September 30, 2020. However, the ongoing COVID-19 pandemic continues to have an impact on industry activity in both the US and in Canada in 2021. Prior to the COVID-19 pandemic, there were also continued industry concerns over market access, increased regulation, and the prevailing customer preference to return cash to shareholders, or pay down debt, rather than grow production through the drill bit in Canada and the US. The number of active rigs in the Western Canadian Sedimentary Basin ("WCSB") improved to 164 active rigs at September 30, 2021, compared to 71 active rigs at September 30, 2020. The CAOEC⁴ reported that for drilling in Canada, the total number of Operating Days in the WCSB increased by approximately 210% for the three months ended September 30, 2021, compared to the same period in the prior year. For the nine months ended September 30, 2021, the total number of Operating Days in the WCSB increased by approximately 38%, compared to the same period of the prior year.

Overall Performance and Results of Operations

Operational results for the three months ended September 30, 2021, include:

- Third quarter revenue increased by \$19.6 million (or 145%) to \$33.0 million in 2021 as compared to \$13.4 million in the third quarter of 2020. In the contract drilling segment, revenue totalled \$19.5 million in the third quarter of 2021, an increase of \$14.1 million (or 259%) compared to \$5.4 million in the third quarter of 2020. In the production services segment, revenue totalled \$13.7 million for the three months ended September 30, 2021, as compared to \$8.1 million in the same period of the prior year, an increase of \$5.6 million (or 69%). While the ongoing COVID-19 pandemic continues to impact the contract drilling and production services segments in the third quarter of 2021, demand improved compared to 2020 as described below:
 - Drilling rig utilization in Canada averaged 18% in the third quarter of 2021, compared to 5% in the third quarter of 2020 due to the COVID-19 pandemic. The increase in activity in the third quarter of 2021 was mainly attributable to the improved demand resulting from the ongoing COVID-19 vaccination rollouts and the lifting of government restrictions which re-opened the economy, compared to the third quarter of 2020 when the COVID-19 pandemic caused demand destruction across the industry. The CAOEC industry average utilization of 27%⁵ for the third quarter of 2021 represented an increase of 1,800 basis points ("bps") compared to the CAOEC industry average of 9% in the third quarter of 2020. Western's market share, represented by the Company's Operating Days as a percentage of the CAOEC's total Operating Days in the WCSB, improved to 6.7% for the third quarter of 2021, as compared to 5.3% in the same period of 2020. Revenue per Operating Day averaged \$20,999 in the third quarter of 2021, a decrease of 3% compared to the same period of the prior year, mainly due to a higher proportion of operating days with current market rates compared to long term contracted rates in the prior quarter;
 - In the United States, drilling rig utilization averaged 13%, as two rigs worked in the third quarter of 2021, compared to 1% Drilling Rig Utilization in the third quarter of 2020, with Operating Days improving from 9 days in 2020 to 98 days in 2021. Revenue per Operating Day for the third quarter of 2021 was US\$17,419, a 14% decrease compared to US\$20,224 in the same period of the prior year, mainly due to changes in average rig mix; and
 - In Canada, service rig utilization of 29% in the third quarter of 2021 was higher than 19% in the same period of the prior year, mainly due to improved commodity prices positively impacting demand for well reactivations in 2021, as 2020 activity was impacted significantly by the COVID-19 pandemic when a number of customers shut in wells entirely. Revenue per Service Hour of \$727 in the third quarter of 2021 was 11% higher than the third quarter of 2020, as a result of increased labour and fuel charges being passed through to the customer. Higher utilization led to production services revenue totaling \$13.7 million in the third quarter of 2021, an increase of \$5.6 million (or 69%), as compared to the same period in the prior year.

³ Source: Baker Hughes Company, 2021 Rig Count monthly press releases.

⁴ Source: CAOEC, monthly Contractor Summary.

⁵ Source: CAOEC, monthly Contractor Summary.

- Administrative expenses increased by \$0.7 million (or 35%) to \$2.7 million in the third quarter of 2021, as compared to \$2.0 million in the third quarter of 2020, mainly due to lower amounts received related to the Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada and higher employee related costs.
- The Company incurred a net loss of \$10.4 million in the third quarter of 2021 (\$0.11 per basic common share) as compared to a net loss of \$10.5 million in the same period in 2020 (\$0.12 per basic common share). The change can mainly be attributed to a \$3.2 million decrease in income tax recovery and a \$1.4 million increase in finance costs, offset partially by a \$2.7 million increase in Adjusted EBITDA, a \$1.3 million decrease in depreciation expense due to certain assets being fully depreciated in the period and a \$0.6 million increase in other items which mainly consisted of foreign exchange gains and the sale of assets.
- Third quarter Adjusted EBITDA in 2021 was higher than the same period of the prior year and totalled \$5.0 million, compared to \$2.3 million in the third quarter of 2020. Adjusted EBITDA was higher due to improved activity in Canada and the US, offset partially by a decrease of \$1.0 million in CEWS received.
- Third quarter 2021 additions to property and equipment of \$1.3 million compared to \$0.2 million incurred in the third quarter of 2020 and consist of \$0.4 million of expansion capital and \$0.9 million of maintenance capital.

Operational results for the nine months ended September 30, 2021, include:

- Revenue for the nine months ended September 30, 2021, increased by \$14.3 million (or 19%) to \$90.3 million as compared to \$76.0 million for the nine months ended September 30, 2020. Contract drilling revenue totalled \$51.7 million in 2021, an increase of \$5.0 million (or 11%) as compared to \$46.7 million in 2020. Production services revenue totalled \$39.1 million for the nine months ended September 30, 2021, as compared to \$29.5 million in the same period of the prior year, an increase of \$9.6 million (or 32%). The ongoing COVID-19 pandemic continues to impact revenue in the contract drilling and production services segments as described below:
 - Drilling rig utilization in Canada averaged 16% for the nine months ended September 30, 2021, compared to 10% for the nine months ended September 30, 2020, a 600 bps increase. The increase in activity in 2021 was mainly attributable to the improved demand resulting from the ongoing COVID-19 vaccination rollouts and the lifting of government restrictions which re-opened the economy, compared to 2020 when the COVID-19 pandemic caused demand destruction across the industry. The CAOEC industry average of 23%⁶ for nine months ended September 30, 2021, represented an increase of 700 bps compared to the CAOEC industry average of 16% for the nine months ended September 30, 2020, mainly due to higher demand. Western's market share, represented by the Company's Operating Days as a percentage of the CAOEC's total Operating Days in the WCSB, improved to 7.2% for the nine months ended September 30, 2021, as compared to 6.3% in the same period of 2020. Revenue per Operating Day decreased by 15% for the nine months ended September 30, 2021, as compared to the same period of the prior year, as current market rates weakened in the period;
 - In the United States, drilling rig utilization averaged 13%, as two rigs worked in 2021, compared to 7% in the same period of 2020, reflecting an 82% increase in Operating Days. Revenue per Operating Day for the nine months ended September 30, 2021, decreased by 37% to US\$15,404, as compared to the same period of the prior year, as current spot market rates weakened in the period; and
 - In Canada, service rig utilization of 28% for the nine months ended September 30, 2021 was higher than the same period of the prior year due to improved industry demand. Lower production and completion activity was offset by increased abandonment work as a result of government incentives. Revenue per Service Hour of \$717 for the nine months ended September 30, 2021 was 3% higher than the same period of 2020. Improved utilization led to production services revenue totaling \$39.1 million for the nine months ended September 30, 2021, an increase of \$9.6 million (or 32%), as compared to the same period in the prior year.
- Administrative expenses increased by \$0.2 million (or 3%) to \$8.1 million for the nine months ended September 30, 2021, as compared to \$7.9 million in the same period of the prior year, mainly due to a decrease in the CEWS received related to administrative costs.
- The Company incurred a net loss of \$29.8 million for the nine months ended September 30, 2021 (\$0.33 per basic common share) as compared to a net loss of \$33.9 million in the same period in 2020 (\$0.37 per basic common share). The change can mainly be attributed to the 2020 impairment of \$11.5 million and a \$5.2 million decrease in depreciation expense due to certain assets being fully depreciated in the period, as well as the impact to depreciation

⁶ Source: CAOEC, monthly Contractor Summary.

of asset impairments in previous quarters, which were offset partially by a \$9.4 million decrease in income tax recovery, a \$1.4 million decrease in other items, and a \$0.6 million decrease in Adjusted EBITDA.

- Adjusted EBITDA for the nine months ended September 30, 2021 was lower than the same period of the prior year and totalled \$14.1 million, compared to \$14.7 million in the same period of 2020. Adjusted EBITDA in 2021 was lower due to US\$5.0 million of shortfall commitment revenue received in 2020 with none in 2021, which was partially offset by improved activity in Canada and the US, and an increase in the CEWS of \$3.9 million due to 2021 including nine months of the CEWS, compared to only five months in 2020.
- Year to date 2021 additions to property and equipment of \$4.8 million compared to \$1.0 million incurred in the same period of 2020 and consist of \$1.1 million of expansion capital and \$3.7 million of maintenance capital.

Outlook

Due to increased activity levels in 2021 as a result of a successful COVID-19 vaccine rollout and the lifting of government restrictions, coupled with limited maintenance capital spending on the rig fleet in prior years, as announced previously, Western has increased its capital budget for 2021 by \$2 million to approximately \$8 million. The revised capital budget is expected to be comprised of \$7 million of maintenance capital and \$1 million of expansion capital, with \$5 million allocated to the contract drilling segment and \$3 million allocated to the production services segment. Western believes the revised 2021 capital budget provides a prudent use of cash resources to manage its balance sheet. Western will continue to manage its costs in a disciplined manner and make required adjustments to its capital program as customer demand changes. Currently, 14 of Western's drilling rigs and 26 of Western's well servicing rigs are operating.

While crude oil prices reached historical lows in 2020 due to the demand destruction caused by the COVID-19 pandemic, in 2021, crude oil prices began to recover. However, uncertainty now exists concerning the timing of COVID-19 vaccine distribution and the potential impact of COVID-19 variants on possible future government restrictions, both of which have an impact on demand in the near term. The precise duration and extent of the adverse impacts of the current macroeconomic environment and the COVID-19 pandemic on Western's customers, operations, business and global economic activity remains highly uncertain at this time. Additionally, the January 2021 executive order by the President of the United States cancelling the permit that had allowed construction of the Keystone XL pipeline, the uncertain timing of completion of construction on the Trans Mountain pipeline expansion and the threatened shutdown of Enbridge Line 5, have all resulted in continued uncertainty regarding takeaway capacity. However, activity levels in Canada and the United States for the remainder of 2021 are expected to be marginally higher than 2020 levels. Controlling fixed costs, maintaining balance sheet strength and flexibility and managing through the unprecedented market downturn are priorities for the Company, as prices and demand for Western's services remain below historical levels. Western continues to identify further opportunities to streamline its support structure and implement additional cost control measures.

As at September 30, 2021, Western had \$8.4 million drawn on its \$60.0 million credit facilities, consisting of its \$50.0 million syndicated first lien credit facility (the "Revolving Facility") and its \$10.0 million committed operating facility (the "Operating Facility" and together the "Credit Facilities"), which mature on July 1, 2022. Western had drawn \$12.5 million on its HSBC Bank Canada ("HSBC") six-year committed term non-revolving facility with the participation of Business Development Canada ("BDC" and together the "HSBC Facility"), which matures on December 31, 2026. Western currently has \$211.3 million outstanding on its second lien secured term loan facility (the "Second Lien Facility"), which matures on January 31, 2023.

Oilfield service activity in Canada will be affected by the continued development of resource plays in Alberta and northeast British Columbia which will be impacted by pipeline construction, environmental regulations, and the level of investment in Canada. In the short term, the largest challenges facing the oilfield service industry are a lack of qualified field personnel and ongoing liquidity concerns, due to the prevailing customer preference to return cash to shareholders through share buybacks, increased dividends or repayment of debt, rather than grow production. In the medium term, Western's rig fleet is well positioned to benefit from the LNG Canada liquefied natural gas project now under construction in British Columbia. It remains Western's view that its modern drilling and well servicing rig fleets, reputation, and disciplined cash management provides Western with a competitive advantage.

Review of the Third Quarter and Year to Date 2021 Results

Segmented Information

Contract Drilling

Financial Highlights (stated in thousands)	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Revenue	19,460	5,417	259%	51,699	46,727	11%
Expenses						
Operating	15,936	4,362	265%	40,850	32,279	27%
Administrative	1,256	960	31%	3,596	3,771	(5%)
Adjusted EBITDA ⁽¹⁾	2,268	95	2,287%	7,253	10,677	(32%)
Adjusted EBITDA as a percentage of revenue	12%	2%	500%	14%	23%	(39%)
Depreciation	7,702	8,458	(9%)	23,180	26,729	(13%)
Operating loss	(5,434)	(8,363)	(35%)	(15,927)	(16,052)	(1%)
Stock based compensation	4	13	(69%)	62	73	(15%)
Loss before income taxes and impairment	(5,438)	(8,376)	(35%)	(15,989)	(16,125)	(1%)

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

During the third quarter of 2021, contract drilling revenue totalled \$19.5 million, a \$14.1 million (or 259%) increase as compared to the same period in the prior year. The increase in contract drilling revenue in the third quarter of 2021 is due to improved demand for the Company's services, as the third quarter of 2020 was impacted by the COVID-19 pandemic. For the nine months ended September 30, 2021, contract drilling revenue totalled \$51.7 million, a \$5.0 million (or 11%) increase as compared to the same period in the prior year. Revenue for the nine months ended September 30, 2021, was higher due to improved demand, however was offset partially by lower day rates due to decreased spot market prices, as well as no shortfall commitment revenue recognized in 2021 compared to US\$5.0 million of shortfall commitment in 2020.

For the three months ended September 30, 2021, administrative expenses totalled \$1.3 million and are 31% higher than the same period of the prior year mainly due to higher employee related costs and lower amounts received from the CEWS in the quarter. For the nine months ended September 30, 2021, administrative expenses totalled \$3.6 million and were 5% lower than the same period of the prior year.

Contract drilling incurred a loss before income taxes of \$5.4 million in the third quarter of 2021, compared to a loss before income taxes of \$8.4 million in the same period of the prior year. The change for the three months ended September 30, 2021, can be attributed to a \$2.2 million increase in Adjusted EBITDA and a \$0.8 million decrease in depreciation expense. For the nine month period ended September 30, 2021, contract drilling incurred a loss before income taxes of \$16.0 million, compared to a loss before income taxes of \$16.1 million in the same period of the prior year. The change for the nine months ended September 30, 2021 can be attributed to a \$3.4 million decrease in Adjusted EBITDA, which was partially offset by a \$3.5 million decrease in depreciation expense.

Contract drilling Adjusted EBITDA of \$2.3 million in the third quarter of 2021 increased by \$2.2 million, compared to \$0.1 million in the same period of the prior year, mainly due to utilization increasing from 5% in the third quarter of 2020 to 18% in the third quarter of 2021. For the nine months ended September 30, 2021, contract drilling Adjusted EBITDA decreased by \$3.4 million, compared to \$10.7 million in the same period of the prior year, as there was no shortfall commitment revenue in 2021 compared to US\$5.0 million received in 2020.

Depreciation expense for the three and nine months ended September 30, 2021 totalled \$7.7 million and \$23.2 million respectively, and reflect decreases of \$0.8 million and \$3.5 million over the same periods in the prior year, mainly due to certain assets being fully depreciated in the period.

Canadian Operations

The price for Canadian crude oil improved during the nine months ended September 30, 2021, and while crude oil demand began to improve, the ongoing COVID-19 pandemic continued to have an impact on the industry. Operating Days for the three and nine months ended September 30, 2021 increased by 296% and 57% respectively, resulting in drilling rig utilization in Canada of 18% and 16%, as compared 5% and 10% respectively, in the same periods of the prior year. Higher utilization for both the three and nine months ended September 30, 2021 was due to higher commodity prices resulting from the ongoing COVID-19 vaccination rollouts and the lifting of government restrictions which assisted with the economic recovery.

Drilling rig utilization in Canada of 18% in the third quarter of 2021 reflects a 900 bps discount to the CAOEC industry average of 27%⁷, as compared to a 400 bps discount to the CAOEC industry average of 9% in the third quarter of 2020. Drilling rig utilization in Canada of 16% for the nine months ended September 30, 2021 reflects a 700 bps discount to the CAOEC industry average of 23%⁸, as compared to a 600 bps discount for the nine months ended September 30, 2020. Western's market share, represented by the Company's Operating Days as a percentage of the CAOEC's total Operating Days in the WCSB, improved to 6.7% and 7.2% for the three and nine months ended September 30, 2021 respectively, as compared to 5.3% and 6.3% respectively, in the same periods of the prior year.

For the three months ended September 30, 2021, Revenue per Operating Day averaged \$20,999, as compared to \$21,723 in the same period of the prior year. For the nine months ended September 30, 2021, Revenue per Operating Day decreased by 15% and averaged \$21,035 compared to \$24,648 in the same period of the prior year, mainly due to lower spot market rates.

United States Operations

WTI prices in 2021 improved from 2020, resulting in improved activity in the United States. This resulted in Western's third quarter 2021 Operating Days in the United States increasing to 98 days as compared to 9 days in the same period of the prior year, which resulted in drilling rig utilization of 13% compared to 1% in the third quarter of 2020. For the nine months ended September 30, 2021, Operating Days improved by 129 days (or 82%), as compared to the same period of the prior year, which resulted in Drilling Rig Utilization of 13%, compared to 7% for the nine months ended September 30, 2020.

For the three months ended September 30, 2021, Revenue per Operating Day averaged US\$17,419, compared to US\$20,224 in the same period of the prior year. For the nine months ended September 30, 2021, Revenue per Operating Day decreased by 37% as compared to the same period in the prior year, due to lower spot market rates.

Production Services

Financial Highlights (stated in thousands)	Three months ended Sept 30			Nine months ended Sept 30		
	2021	2020	Change	2021	2020	Change
Revenue	13,671	8,087	69%	39,108	29,523	32%
Expenses						
Operating	9,476	4,900	93%	27,702	21,363	30%
Administrative	880	485	81%	2,325	2,088	11%
Adjusted EBITDA ⁽¹⁾	3,315	2,702	23%	9,081	6,072	50%
Adjusted EBITDA as a percentage of revenue	24%	33%	(27%)	23%	21%	10%
Depreciation	2,438	2,866	(15%)	7,431	8,751	(15%)
Operating earnings (loss)	877	(164)	(635%)	1,650	(2,679)	162%
Stock based compensation	(1)	18	(106%)	40	73	(45%)
Income (loss) before income taxes and impairment	878	(182)	(582%)	1,610	(2,752)	159%

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

For the quarter ended September 30, 2021, production services revenue increased by \$5.6 million (or 69%) to \$13.7 million, compared to \$8.1 million in the same period of the prior year. For the nine months ended September 30, 2021, production services revenue increased by \$9.6 million (or 32%) to \$39.1 million, compared to \$29.5 million in the same period of the prior year. The increase in production services revenue for both the three and nine months ended September 30, 2021, as compared to the same periods in the prior year, is due to higher commodity prices which led to increased demand for well reactivation and production work as several customers had shut in wells due to the COVID-19 pandemic in 2020.

Service Hours increased by 53% to 16,685 hours (29% utilization) in the third quarter of 2021, as compared to 10,893 hours (19% utilization) in the third quarter of 2020. Similarly, for the nine months ended September 30, 2021, Service Hours increased by 10,850 to 48,277 (28% utilization), as compared to 37,427 (22% utilization) in the same period of the prior year. The improvement in Service Hours for both the three and nine months ended September 30, 2021, is due to the higher demand as mentioned previously. Revenue per Service Hour of \$727 for the three months ended September 30, 2021, was 11% higher than the three months ended September 30, 2020 due to higher fuel and wage costs being passed through to the customer, whereas Revenue per Service Hour of \$717 for the nine months ended September 30, 2021 was 3% higher than the same period of the prior year.

⁷ Source: CAOEC, monthly Contractor Summary.

⁸ Source: CAOEC, monthly Contractor Summary.

During the three months ended September 30, 2021, administrative expenses totalled \$0.9 million and were \$0.4 million higher than the same period of the prior year, mainly due to lower amounts received related to the CEWS in the quarter. For the nine months ended September 30, 2021, administrative expenses totalled \$2.3 million and were 11% higher than the same period of the prior year due to higher employee related costs.

For the quarter ended September 30, 2021, production services earned income before income taxes of \$0.9 million, compared to a loss before income taxes of \$0.2 million for the quarter ended September 30, 2020, mainly due to a \$0.6 million increase in Adjusted EBITDA and a \$0.5 million decrease in depreciation expense. For the nine months ended September 30, 2021, production services earned income before income taxes of \$1.6 million, compared to a loss before income taxes of \$2.8 million in the same period of the prior year, mainly due to a \$3.0 million increase in Adjusted EBITDA in 2021, and a \$1.4 million decrease in depreciation expense.

Adjusted EBITDA increased in the third quarter of 2021 by \$0.6 million to \$3.3 million, compared to \$2.7 million in the third quarter of 2020. Similarly, Adjusted EBITDA increased for the nine months ended September 30, 2021 by \$3.0 million to \$9.1 million, compared to \$6.1 million in the same period of the prior year. The higher Adjusted EBITDA for both the three and nine months ended September 30, 2021 was due to continued marketing efforts by management to increase market share, a focus on cost management and the receipt of the CEWS.

Depreciation expense for the three and nine months ended September 30, 2021 was lower by 15% respectively, than the same periods of the prior year mainly due to certain assets being fully depreciated in the year.

Corporate

(stated in thousands)	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Expenses						
Administrative	573	527	9%	2,237	2,081	7%
Depreciation	336	487	(31%)	1,150	1,474	(22%)
Operating loss	(909)	(1,014)	(10%)	(3,387)	(3,555)	(5%)
Stock based compensation	36	53	(32%)	117	173	(32%)
Finance costs	5,851	4,430	32%	14,944	13,582	10%
Other items	(602)	(22)	2,636%	(617)	(2,048)	(70%)
Income tax recovery	(357)	(3,547)	(90%)	(2,419)	(11,781)	(79%)

Corporate administrative expenses for the three months ended September 30, 2021 totalled \$0.6 million and were \$0.1 million higher than the same period of the prior year, mainly due to lower amounts received related to the CEWS from the Government of Canada. For the nine months ended September 30, 2021, administrative expenses totalled \$2.2 million and were \$0.1 million higher than the same period of the prior year due to lower CEWS from the Government of Canada in 2021.

Finance costs in the third quarter of 2021 of \$5.9 million were \$1.4 million higher than the third quarter of 2020 and represented an effective interest rate of 9.2%, as compared to 7.9% in same period of the prior year. For the nine months ended September 30, 2021, finance costs of \$14.9 million were \$1.3 million higher than the same period in 2020 and represented an effective interest rate of 8.0%, compared to 7.8% in the same period of the prior year. The higher effective interest rate for both the three and nine months ended September 30, 2021, is due to incremental interest associated with the July 2021 payment in kind ("PIK") of interest on the Company's Second Lien Facility as described in the Liquidity and Capital Resources section on page 9.

Other items, which relate to foreign exchange gains and losses and the sale of assets, totalled \$0.6 million for the three and nine months ended September 30, 2021.

For the third quarter of 2021, consolidated income tax recovery totalled \$0.4 million, due to the Company not recognizing \$2.3 million of deferred tax assets (third quarter of 2020: \$nil) associated with its non-capital loss carryforwards in Canada. For the nine months ended September 30, 2021, consolidated income tax recovery totalled \$2.4 million, representing an effective tax rate of 7.5%, as compared to an effective tax rate of 25.8% in the same period of the prior year. The change in the effective tax rate for the nine months ended September 30, 2021, is due to unrecognized deferred tax assets of \$5.4 million.

Liquidity and Capital Resources

The Company's liquidity requirements in the short and long term can be sourced in several ways including: available cash balances, funds from operations, borrowing against the Credit Facilities, new debt instruments, equity issuances and proceeds from the sale of assets. As at September 30, 2021, Western had working capital of \$0.6 million, a decrease of \$15.4 million from December 31, 2020 mainly due to the classification of the Credit Facilities balance of \$8.4 million as a current liability in the third quarter of 2021, as well as the prior year cash and cash equivalents balance including the proceeds from the HSBC Facility of \$12.5 million. Western's total debt at September 30, 2021 decreased by \$0.7 million to \$243.3 million, as compared to \$244.0 million at December 31, 2020.

During the nine months ended September 30, 2021, Western had the following changes to its cash balances, which resulted in a \$16.3 million decrease in cash and cash equivalents in the period, where the proceeds from the HSBC Facility were used to pay the Company's Second Lien Facility interest in January 2021:

Cash and cash equivalents (stated in thousands)	
Opening balance, at December 31, 2020	19,322
Add:	
Adjusted EBITDA ⁽¹⁾	14,097
Change in non cash working capital	(6,130)
Proceeds on sale of property and equipment	965
Deduct:	
Repayment of Credit Facilities	(2,607)
Finance costs paid	(14,040)
Additions to property and equipment	(4,759)
Repayment of other long term debt	(2,262)
Repayment of Second Lien debt	(1,613)
Other items	13
Ending balance, at September 30, 2021	2,986

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

The Credit Facilities, which have a maximum available amount of \$60.0 million, mature on July 1, 2022. As at September 30, 2021, \$8.4 million was drawn on the Credit Facilities and \$12.5 million was drawn on the HSBC Facility. Cash flow from operations and available Credit Facilities are expected to be sufficient to cover Western's financial obligations, including working capital requirements and the 2021 capital budget. Advances under the Credit Facilities are limited by the Company's borrowing base.

Under the Credit Facility, the borrowing base is calculated monthly and is determined as follows:

- 85% of eligible investment grade accounts receivable; plus
- 75% of eligible non-investment grade accounts receivable; plus
- The lessor of:
 - (i) 66 2/3% of the total Credit Facilities; or
 - (ii) 25% of the net book value of property and equipment; or
 - (iii) 40% of appraised net orderly liquidation value of property and equipment.

As at September 30, 2021, the Company was in compliance with its borrowing base requirement.

Amounts borrowed under the Credit Facilities bear interest at the bank's Canadian 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 as defined by the Credit Facilities agreement. Consolidated EBITDA, as defined by the Credit Facilities agreement, differs from Adjusted EBITDA as defined under Non-IFRS Measures on page 15 of this MD&A, by including certain items such as realized foreign exchange gains or losses and cash payments made on leases capitalized under IFRS 16.

In conjunction with the Credit Facility extension announced on December 31, 2020, Western and its lenders made other changes to the Credit Facilities, including the following adjustments to its financial covenants:

- The Company has obtained covenant relief for the third and fourth quarters of 2021 whereby:
 - o the consolidated senior debt to consolidated EBITDA covenant is waived;
 - o a minimum liquidity of \$5.0 million is required;

- o the maximum consolidated debt to consolidated capitalization covenant has been increased to 0.65x from 0.60x;
- o a maximum consolidated senior debt to consolidated capitalization ratio of 0.10x has been added; and
- Annual capital expenditures for 2021 cannot exceed \$10.0 million.

The Credit Facilities are secured by the assets of Western and its subsidiaries. A summary of the Company's financial covenants as at September 30, 2021 is as follows:

September 30, 2021	Covenants⁽¹⁾
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio	Waived
Maximum Consolidated Debt to Consolidated Capitalization Ratio	0.65:1.0 or less
Maximum Consolidated Senior Debt to Consolidated Capitalization Ratio	0.10:1.0 or less
Minimum Current Ratio	1.15:1.0 or more
Minimum Liquidity	\$5.0 million or more

(1) See covenant definitions in Note 7 of the September 30, 2021 condensed consolidated financial statements.

At September 30, 2021, Western is in compliance with all covenants related to its Credit Facilities.

On July 2, 2021, the Company made its semi-annual interest payment for the period by way of a PIK of \$3.8 million. The PIK was added to the principal amount of the Company's Second Lien Facility.

For the three and nine months ended September 30, 2021, the Company had no customers comprising more than 10.0% of the Company's total revenue. For the three months ended September 30, 2020, the Company had two customers comprising 12.5% and 11.3% respectively, of the Company's total revenue. For the nine months ended September 30, 2020, the Company had one customer comprising 12.7% of the Company's total revenue. The Company's significant customers may change from period to period.

Summary of Quarterly Results

In addition to other market factors, quarterly results of Western are markedly affected by weather patterns throughout its operating areas. Historically, the first quarter of the calendar year is very active, followed by a much slower second quarter due to what is known in the Canadian oilfield service industry as "spring breakup", where due to the spring thaw, provincial and county road bans restrict movement of heavy equipment. As a result of this, the variation of Western's results quarter over quarter, particularly between the first and second quarters, can be significant independent of other demand factors.

The following is a summary of selected financial information of the Company for the last eight completed quarters:

Three months ended (stated in thousands, except per share amounts)	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
Revenue	32,960	20,386	36,969	27,679	13,438	10,802	51,765	45,838
Adjusted EBITDA ⁽¹⁾	5,009	2,197	6,891	5,610	2,270	4,036	8,361	5,584
Cash flow from (used in) operating activities	(2,524)	9,410	1,509	2,011	(1,560)	25,732	1,539	8,921
Net loss	(10,397)	(12,940)	(6,454)	(7,443)	(10,486)	(8,042)	(15,331)	(52,249)
per share - basic and diluted	(0.11)	(0.14)	(0.07)	(0.08)	(0.12)	(0.09)	(0.17)	(0.56)
Total assets	460,872	460,443	478,527	495,625	488,470	494,493	542,131	550,537
Long term debt	228,263	225,590	233,418	237,633	226,719	214,255	239,118	228,274

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

Revenue and Adjusted EBITDA were impacted by low commodity prices and market uncertainty throughout the last eight quarters. The unprecedented decrease in the price of crude oil in the first quarter of 2020, as well as the demand destruction from the ongoing COVID-19 pandemic throughout 2020 had a significant impact on industry activity and resulted in customers reducing or cancelling their drilling programs, which had a negative impact on Western's Revenue and Adjusted EBITDA. Crude oil prices began to recover in 2021, resulting in some improvements in activity throughout the industry.

Net loss is impacted by the seasonal nature of the oilfield service industry in Canada. A net loss has been incurred throughout the last eight quarters due to the prolonged decline in crude oil and natural gas prices, resulting in reduced demand. The Company recognized an impairment loss on property and equipment of \$54.0 million in the fourth quarter of 2019 and \$11.5 million in the first quarter of 2020, which impacted total assets.

Commitments

In the normal course of business, the Company incurs commitments related to its contractual obligations. The expected maturities of the Company's contractual obligations as at September 30, 2021 are as follows:

(stated in thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Second Lien Facility	538	2,150	209,111	-	-	-	211,799
Second Lien Facility interest	-	15,381	7,611	-	-	-	22,992
Trade payables and other current liabilities ⁽¹⁾	16,645	-	-	-	-	-	16,645
HSBC Facility	-	1,250	1,250	1,250	1,250	7,500	12,500
Lease obligations ⁽²⁾	836	2,955	2,736	2,265	635	357	9,784
Revolving Facility	-	8,000	-	-	-	-	8,000
Operating commitments ⁽³⁾	2,769	802	688	688	57	-	5,004
HSBC Facility interest	274	769	688	610	527	447	3,315
PPP Loan	101	607	607	607	364	-	2,286
Operating Facility	-	393	-	-	-	-	393
Total	21,163	32,307	222,691	5,420	2,833	8,304	292,718

(1) Trade payables and other current liabilities exclude interest accrued as at September 30, 2021 on the Second Lien Facility and the HSBC Facility which is stated separately.

(2) Lease obligations represent the gross lease commitments to be paid over the term of the Company's outstanding long term leases.

(3) Operating commitments include purchase commitments, short term operating leases, and operating expenses associated with long term leases.

Second Lien Facility and interest:

The Company pays interest on the Second Lien Facility semi-annually on January 1 and July 1. The Second Lien Facility is due January 31, 2023.

Trade payables and other current liabilities:

The Company has recorded trade payables for amounts due to third parties which are expected to be paid within one year.

HSBC Facility and interest:

The Company pays interest on the HSBC Facility monthly, with principal payments commencing January 1, 2022. The HSBC Facility matures on December 31, 2026.

Lease obligations:

The Company has long term debt relating to leased vehicles, as well as office and equipment leases. These leases run for terms greater than one year.

Revolving and Operating Facilities (the "Credit Facilities"):

The Company's Credit Facilities mature on July 1, 2022.

Operating commitments:

The Company has agreements in place to purchase certain capital and other operational items with third parties, as well as short term leases with a term of less than one year, and operating expenses associated with long term leases.

PPP loan:

The Company has a US\$1.8 million US Paycheck Protection Program ("PPP") loan obtained as part of the COVID-19 relief efforts in the US. The promissory loan has an interest rate of 1% per annum, will be repaid in equal monthly payments over its five year term and matures on July 23, 2025.

There have been no material changes in the contractual obligations, other than in the normal course of business, subsequent to September 30, 2021.

Outstanding Share Data

	October 25, 2021	September 30, 2021	December 31, 2020
Common shares outstanding	91,695,322	91,680,182	91,165,112
Stock options outstanding	6,056,227	6,127,648	7,464,687
Restricted share units outstanding - equity settled	620,180	632,924	1,244,159

Off Balance Sheet Arrangements

As at September 30, 2021, Western had no off balance sheet arrangements in place.

Transactions with Related Parties

During the three and nine months ended September 30, 2021 and 2020, the Company had no transactions with related parties.

Financial Risk Management

Credit Risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposure to customers in the form of outstanding trade and other receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets which reflects management's assessment of the credit risk.

The Company's trade receivables are with customers in the crude oil and natural gas industry and are subject to industry credit risk. In 2021, the ongoing COVID-19 pandemic, government restrictions, the success of the COVID-19 vaccine rollout and related volatility in global demand for crude oil, have had an impact on commodity prices. These factors are expected to continue to have an impact on companies and their related credit risk. The Company's practice is to manage credit risk by performing a thorough analysis of the credit worthiness of new customers before credit terms are offered.

Additionally, the Company continually evaluates individual customer trade receivables for recoverability taking into consideration payment history and aging of the trade receivables.

In accordance with IFRS 9, Financial Instruments, the Company evaluates the recoverability of its trade and other receivables at each reporting period and its allowance for expected future credit losses. The Company records an allowance for doubtful accounts if an account is determined to be uncollectible. The allowance for doubtful accounts could materially change due to fluctuations in the financial position of the Company's customers.

The Company completes a detailed review of its historical credit losses as part of its impairment assessment. The Company has had low historical impairment losses on its trade receivables, due in part to its credit management processes. As such, the Company assesses impairment losses on an individual customer account basis, rather than recognize an impairment loss on all outstanding trade and other receivables.

Liquidity Risk

Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they become due. The Company manages liquidity risk through management of its capital structure, monitoring and reviewing actual and forecasted cash flows and the effect on bank covenants, and maintaining unused credit facilities where possible to ensure there are available cash resources to meet the Company's liquidity needs. The Company's cash and cash equivalents, cash flow from operating activities, the Credit Facilities, the HSBC Facility, and the Second Lien Facility are expected to be greater than anticipated capital expenditures and the contractual maturities of the Company's financial liabilities. This expectation could be adversely affected by the significant decrease in global demand of crude oil as a result of the COVID-19 pandemic.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

As Western's common shares trade on the Toronto Stock Exchange, pursuant to National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the President and Chief Executive Officer ("CEO") and Senior Vice President, Finance, Chief Financial Officer and Corporate Secretary ("CFO") of the Company have certified as at September 30, 2021 that they have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities, particularly during the periods in which the interim filings of the Company are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The CEO and CFO do not expect that the DC&P will prevent or detect all errors, misstatements and fraud but are designed to provide reasonable assurance of achieving their objectives. A control system, no matter how well designed or operated, can only provide reasonable, but not absolute, assurance that the objectives of the control system are met. In addition to DC&P, the CEO and CFO have designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the three months ended September 30, 2021, there were no changes in internal control over financial reporting that materially affected, or are reasonably likely to materially affect, Western's internal control over financial reporting.

Critical Accounting Estimates and Recent Developments

This MD&A of the Company's financial condition and results of operations is based on the condensed consolidated financial statements for the three and nine months ended September 30, 2021, which were prepared in accordance with IFRS. In March 2020, the World Health Organization declared a global pandemic as a result of the COVID-19 outbreak, which led to demand destruction worldwide as countries implemented emergency measures such as lockdowns, to prevent the spread of the COVID-19 virus. The significant decrease in global demand for crude oil, coupled with an international price war in the first half of 2020, resulted in historical lows and increased volatility in crude oil prices.

The current economic environment and the ongoing pandemic will continue to impact the Company and the full extent of the impact is currently unknown, as it will depend on the duration of the COVID-19 pandemic, the successful rollout of COVID-19 vaccines being distributed and its resulting impact on the economy international markets. The pandemic and reduction in global demand results in uncertainty for the Company, as well as estimates and assumptions used by management to prepare the condensed consolidated financial statements. Estimates and judgments made by management are subject to a higher degree of volatility in this uncertain time. A full list of critical accounting estimates is included in the Company's annual consolidated Financial Statements for the year ended December 31, 2020. However, the current market conditions have increased the uncertainty specifically relating to, but not limited to, assumptions used in calculating the recoverable amounts of the Company's CGUs in its impairment assessment, as well as increased risk of non-payment of trade receivables. Actual results may differ from the estimates used in preparing the condensed consolidated financial statements.

Government Grants:

In response to the COVID-19 pandemic and emergency measures, such as lockdowns, governments have established various programs to assist companies through this period of uncertainty. Management has determined that the Company qualifies for certain programs and recognizes such government grants when there is reasonable assurance the grant will be received. Under IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, the Company may recognize the CEWS as either other income or as a reduction of the expenses related to the grant. The CEWS relates to operating and administrative expenses and has been recognized as a reduction of these expenses. The following table summarizes the total CEWS included operating and administrative expenses:

	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Operating	1,687	2,397	(30%)	7,472	3,408	119%
Administrative	224	541	(59%)	1,018	1,146	(11%)
Total CEWS	1,911	2,938	(35%)	8,490	4,554	86%

Additionally, management has determined that the Company qualifies for the Canada Emergency Rent Subsidy ("CERS"). The CERS relates to eligible expenses such as rent and operating costs for the Company's leased properties, some of which had been capitalized as assets under IFRS 16, Leases. The following table summarizes the total CERS included in operating and administrative expenses:

	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Operating	85	-	100%	409	-	100%
Depreciation	65	-	100%	366	-	100%
Total CERS	150	-	100%	775	-	100%

Business Risks

For a comprehensive listing of the Company's business risks please see the most recent annual information form ("AIF") for the year ended December 31, 2020, as filed under the Company's SEDAR profile at www.sedar.com.

Certain of the Company's primary business risks as at September 30, 2021 are as follows:

- The significant decrease in crude oil prices in 2020 and low crude oil demand associated with the COVID-19 pandemic is continuing to have a significant impact on Western's customers. The precise duration and extent of the adverse impacts of the current macroeconomic environment and the COVID-19 pandemic on Western's customers, operations, business and global economic activity remains highly uncertain at this time.
- The Company's business relies on the crude oil and natural gas exploration and production industry which is subject to a number of risks including general economic conditions, fluctuations in demand and supply of crude oil and

natural gas production as a result of the COVID-19 pandemic, fluctuations in commodity prices, competition and increases in operating costs. In addition, changes may occur in government regulations, including regulations relating to foreign acquisitions, prices, taxes, royalties, land tenure, allowable production, importing and exporting of crude oil and natural gas and environmental protection for the crude oil and natural gas industry as a whole. Risks impacting the crude oil and natural gas exploration and production industry, including the ability of crude oil and natural gas companies to accumulate capital or variations in their exploration and development budgets, may also affect the Company's business. The impact of these risks cannot be accurately predicted.

- If there is a return to a low commodity price environment due to factors outside the Company's control, including a resurgence in the COVID-19 pandemic or the reinstatement of government restrictions, the demand for the Company's equipment and services will remain lower than normal and the Company's utilization rates and revenue will be adversely affected during such time. Lower utilization and revenue could result in the Company not being in compliance with certain covenants in its Credit Facilities, which in turn could restrict the Company's ability to access its Credit Facilities, pay distributions, repay indebtedness at maturity and incur additional debt in the future.
- The Company may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to refinance debt, to undertake additions to property and equipment or to undertake acquisitions or other business combination transactions. The impact of COVID-19 on industry conditions and financial and capital markets may make identifying and completing new financing opportunities more challenging. There can be no assurance that additional financing will be available when needed or on terms acceptable to the Company. Dilution to shareholders may occur in the event the Company issues equity for cash proceeds, settles any of its indebtedness for equity consideration or enters into a merger or acquisition that provides the Company's equity as consideration.
- Competition among oilfield service companies offering related services is significant. Some competitors are larger and have greater revenue than the Company and overall greater financial resources. The Company's ability to generate revenue depends on its ability to attract and win contracts and to perform services.
- The ability of the Company to make payments, dividends or enter into certain transactions will be subject to the applicable laws and contractual restrictions in the instruments governing its indebtedness, including the Credit Facilities, the HSBC Facility and the Second Lien Facility. Given the current macroeconomic environment due to the COVID-19 pandemic, there is no assurance that Western will be able to refinance any or all of its Credit Facilities and Second Lien Facility at their maturity dates on acceptable terms.
- In addition to global economic events and uncertainty, the capacity within North America to ship commodities to market introduces uncertainties in levels of activity and pricing for crude oil and natural gas production.
- The Company's business is subject to credit risk primarily from credit exposure to customers, with a concentration of credit risk with customers in the crude oil and natural gas industry.
- The Company's operations are subject to many hazards inherent in the oilfield service industry, such as blowouts, explosions, damaged or lost drilling, well servicing and oilfield rental equipment or damage or loss from inclement weather, which could result in business interruption, casualty losses, damage or destruction of equipment, suspension of operations, environmental damage or damage to property. This could have a material adverse effect on the Company's business and financial results.
- The Company's exploration and production customers' facilities and other operations emit greenhouse gases which requires them to comply with legislation in those provinces and states where they operate. Over the past few years, both Federal and Provincial governments have implemented carbon levies on greenhouse gas emissions. The direct or indirect costs of these new greenhouse gas emission reduction regulations, as well as regulations which may be adopted in these or other jurisdictions in the future, may have a material adverse effect on the Company's business, financial condition and results of operations and cash flows, as well as impacting the Company's customers' operations.
- Safety is a key factor that customers consider when selecting an oilfield service company. A decline in the Company's safety performance could result in reduced demand for the Company's services which could have a material adverse effect on the Company's business and financial results.
- Currently, the Company is focused on providing services in the WCSB as well as certain limited geographic areas in the United States, which may expose the Company to more extreme market fluctuations relating to factors such as weather and general economic conditions which may be more extreme than the broader industry conditions.
- A portion of the operations of the Company are in the United States which subject the Company to currency fluctuations and different tax and regulatory laws.

- The Company is vulnerable to market prices. Fixed costs, including costs associated with operations, interest, leases, and labour costs account for a significant portion of the Company's expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, or other factors could significantly affect its financial results.
- The oilfield service industry has experienced a high degree of invention and innovation. It is possible that new technology will be developed which will compete with the Company's products and services.
- The Company's business is subject to the operating risks inherent to the oilfield service industry. On occasion, substantial liabilities to third parties may be incurred. The Company will have the benefit of insurance maintained by it and industry standard contracts; however, it may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.
- The success of the Company is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Company.
- During the prolonged downturn many oilfield service workers left the industry and, therefore, as activity has increased it has been difficult for the Company to attract and retain field crews. This could have a material adverse effect on the Company's business and financial results.
- The loss of a significant customer or customers, or any decrease in services provided or prices charged to a significant customer or customers could have a material adverse effect on the Company's business and financial results.
- The Company relies on various information systems to manage its business. If these systems were compromised due to a successful cyber-attack, this could have a material adverse effect on the Company business and financial results.

Non-IFRS Measures

Western uses certain measures in this MD&A which do not have any standardized meaning as prescribed by IFRS. These measures, which are derived from information reported in the condensed consolidated financial statements, may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company. The Non-IFRS measure used in this MD&A is identified and defined as follows:

Adjusted EBITDA

Earnings before interest and finance costs, taxes, depreciation and amortization, other non-cash items and one-time gains and losses ("Adjusted EBITDA") is a useful supplemental measure as it is used by management and other stakeholders, including current and potential investors, to analyze the Company's principal business activities. Adjusted EBITDA provides an indication of the results generated by the Company's principal operating segments, which assists management in monitoring current and forecasting future operations, as certain non-core items such as interest and finance costs, taxes, depreciation and amortization, and other non-cash items and one-time gains and losses are removed. The closest IFRS measure would be net loss for consolidated results and on a segmented basis, loss before income taxes and impairment, as the Company manages its income tax position on a legal entity basis, which can differ from its operating segments.

The following table provides a reconciliation of net loss, as disclosed in the condensed consolidated statements of operations and comprehensive income, to Adjusted EBITDA:

(stated in thousands)	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net loss	(10,397)	(10,486)	(29,791)	(33,858)
Income tax recovery	(357)	(3,547)	(2,419)	(11,781)
Loss before income taxes	(10,754)	(14,033)	(32,210)	(45,639)
Add (deduct):				
Depreciation	10,475	11,811	31,761	36,954
Stock based compensation	39	84	219	319
Finance costs	5,851	4,430	14,944	13,582
Other items	(602)	(22)	(617)	(2,048)
Impairment of property and equipment	-	-	-	11,500
Adjusted EBITDA	5,009	2,270	14,097	14,668

Defined Terms:

Average active rig count (contract drilling): Calculated as drilling rig utilization multiplied by the average number of drilling rigs in the Company's fleet for the period.

Average active rig count (production services): Calculated as service rig utilization multiplied by the average number of service rigs in the Company's fleet for the period.

Drilling rig utilization: Calculated based on Operating Days divided by total available days.

Operating Days: Defined as contract drilling days, calculated on a spud to rig release basis.

Service Hours: Defined as well servicing hours completed.

Service rig utilization: Calculated based on Service Hours divided by available hours, being 10 hours per day, per well servicing rig, 365 days per year.

Contract Drilling Rig Classifications:

Cardium class rig: Defined as any contract drilling rig which has a total hookload less than or equal to 399,999 lbs (or 177,999 daN).

Montney class rig: Defined as any contract drilling rig which has a total hookload between 400,000 lbs (or 178,000 daN) and 499,999 lbs (or 221,999 daN).

Duvernay class rig: Defined as any contract drilling rig which has a total hookload equal to or greater than 500,000 lbs (or 222,000 daN).

Abbreviations:

- Barrel ("bbl");
- Basis point ("bps"): A 1% change equals 100 basis points and a 0.01% change is equal to one basis point;
- Canadian Association of Energy Contractors ("CAOEC");
- DecaNewton ("daN");
- International Financial Reporting Standards ("IFRS");
- Pounds ("lbs");
- Thousand cubic feet ("mcf");
- Western Canadian Sedimentary Basin ("WCSB");
- Western Canadian Select ("WCS"); and
- West Texas Intermediate ("WTI").

Forward-Looking Statements and Information

This MD&A contains certain statements or disclosures relating to Western that are based on the expectations of Western as well as assumptions made by and information currently available to Western which may constitute forward-looking information under applicable securities laws. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and words and phrases such as "may", "will", "should", "could", "expect", "intend", "anticipate", "believe", "estimate", "plan", "predict", "potential", "continue", "looking to", or the negative of these terms or other comparable terminology are generally intended to identify forward-looking information. Such information represents the Company's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of additions to property and equipment, 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 and 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 particular, forward-looking information in this MD&A includes, but is not limited to, statements relating to: commodity pricing; the future demand for the Company's services and equipment, in particular, in light of the low commodity price environment associated with the COVID-19 pandemic and the related economic environment; the potential impact of the ongoing COVID-19 pandemic on the oil and gas industry in Canada and the United States including the potential impact of vaccine rollouts and the lifting of government restrictions; the pricing for the Company's services and equipment; the terms of existing and future drilling contracts in Canada and the US and the revenue resulting therefrom; the Company's maintenance and expansion capital plans for 2021 and its ability to make changes thereto in response to customer demands; the Company's liquidity needs including the ability of current capital resources to cover Western's financial obligations; the use, availability and sufficiency of the Company's Credit Facilities; the Company's ability to maintain certain covenants under

its Credit Facilities; the future declaration of dividends; expectations as to the changes in crude oil transportation capacity through pipeline developments and uncertainties related thereto; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; the potential impact of changes to laws, governmental and environmental regulations, and the price on carbon emissions; the expectation of continued investment in the Canadian crude oil and natural gas industry; the development of Alberta and British Columbia resource plays; maturities of the Company's contractual obligations with third parties; expectations relating to producer spending and activity levels for oilfield services; the Company's approach to management of its budget and operations; the Company's ability to maintain a competitive advantage; the Company's ability to find and maintain enough field crew members; and forward-looking statements under the headings "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting", "Business Risks" and "Critical Accounting Estimates and Recent Developments".

The material assumptions in making the forward-looking statements in this MD&A include, but are not limited to: demand levels and pricing for oilfield services; demand for crude oil and natural gas and the price and volatility of crude oil and natural gas; pressures on commodity pricing; the continued business relationships between the Company and its significant customers; the Company's competitive advantage; crude oil transport, pipeline and LNG export facility approval and development; the Company's ability to finance its operations; the effectiveness of the Company's cost structure and capital budget; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business and the Company's competitive position therein; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); assumptions with respect to global economic conditions and the accuracy of the Company's market outlook expectations for 2021 and in the future; the Company's expectations regarding the impacts, direct and indirect, of the COVID-19 pandemic on our business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; the ability to maintain a satisfactory safety record; and general business, economic and market conditions.

Although Western believes that the expectations and assumptions on which such forward-looking statements and information are based on are reasonable, undue reliance should not be placed on the forward-looking statements and information as Western cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risk that improvements in the commodity price environment arising from the rollout of vaccines and the lifting of government restrictions will not continue such that prices will reduce and low prices and reduced demand for oilfield services will be sustained for an indefinite period, the impact of the COVID-19 pandemic and the resulting effects on economic conditions, restrictions imposed by public health authorities or governments, fiscal and monetary responses by governments and financial institutions, the potential need to issue additional debt or equity and the potential resulting dilution of shareholders and disruptions to global supply chains and other general industry, economic, market and business conditions. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Additional information on these and other risk factors that could affect Western's operations and financial results are discussed under the headings "Business Risks" herein and "Risk Factors" in Western's AIF for the year ended December 31, 2020, which may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements and information contained in this MD&A are made as of the date hereof and Western does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Additional data

The AIF containing additional information relating to the Company is filed under the Company's SEDAR profile at www.sedar.com.