



Q3 2022

Third Quarter 2022 Management's Discussion and Analysis

Date: October 25, 2022

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, 2021 and 2020, management's discussion and analysis ("MD&A") for the year ended December 31, 2021, as well as the condensed consolidated financial statements and notes as at September 30, 2022 and for the three and nine months ended September 30, 2022 and 2021. This MD&A is dated October 25, 2022. All amounts are denominated in Canadian dollars (CDN\$) unless otherwise identified.

Financial Highlights (stated in thousands, except share and per share)	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	2022	2021	Change
Revenue	58,483	32,960	77%	139,552	90,315	55%
Adjusted EBITDA ⁽¹⁾	14,799	5,009	195%	27,688	14,097	96%
Adjusted EBITDA as a percentage of revenue	25%	15%	67%	20%	16%	25%
Cash flow from (used in) operating activities	6,854	(2,524)	(372%)	22,039	8,395	163%
Additions to property and equipment	8,470	1,331	536%	26,520	4,759	457%
Net income (loss)	818	(10,397)	(108%)	32,415	(29,791)	(209%)
-basic and diluted net income (loss) per share ⁽²⁾	0.02	(13.65)	(100%)	1.89	(39.17)	(105%)
Weighted average number of shares ⁽²⁾						
-basic	33,839,658	761,664	4,343%	17,120,283	760,520	2,151%
-diluted	33,839,658	761,664	4,343%	17,120,936	760,520	2,151%
Outstanding common shares as at period end ⁽²⁾	33,841,318	764,002	4,329%	33,841,318	764,002	4,329%
Operating Highlights⁽³⁾						
Contract Drilling						
<i>Canadian Operations</i>						
Average active rig count	9.9	9.0	10%	8.5	8.0	6%
End of period rig count	37 ⁽⁵⁾	49	(24%)	37 ⁽⁵⁾	49	(24%)
Operating Days	909	824	10%	2,312	2,185	6%
Revenue per Operating Day	29,283	20,999	39%	28,002	21,035	33%
Drilling rig utilization	27%	18%	50%	23%	16%	44%
CAOEC industry average utilization - Operating Days ⁽⁴⁾	40%	27%	48%	34%	23%	48%
<i>United States Operations</i>						
Average active rig count	3.6	1.1	227%	2.5	1.1	127%
End of period rig count	8	8	-	8	8	-
Operating Days	333	98	240%	683	287	138%
Revenue per Operating Day (US\$)	26,372	17,419	51%	24,421	15,404	59%
Drilling rig utilization	45%	13%	246%	31%	13%	138%
Production Services						
Average active rig count	28.4	25.6	11%	26.4	24.7	7%
End of period rig count	63	63	-	63	63	-
Service Hours	18,492	16,685	11%	51,635	48,277	7%
Revenue per Service Hour	975	727	34%	928	717	29%
Service rig utilization	45%	41%	10%	42%	39%	8%

(1) See "Non-IFRS Measures" on page 16 of this MD&A.

(2) On August 2, 2022, the Company's issued and outstanding common shares were consolidated at a ratio of one post consolidation common share for every 120 pre-consolidation common shares. The comparative 2021 balances have been restated to reflect the 120:1 consolidation ratio.

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

(4) 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.

(5) During the first quarter of 2022, 12 drilling rigs were deregistered with the CAOEC.

Financial Position at (stated in thousands)	September 30, 2022	December 31, 2021	September 30, 2021
Working capital	21,439	2,224	607
Total assets	475,651	456,003	460,872
Long term debt	127,639	226,884	228,263

Non-International Financial Reporting Standards ("Non-IFRS") measures and ratios, such as Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue, are defined on page 16 of this MD&A. Abbreviations for standard industry terms are included on page 17 of this MD&A.

Business Overview

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

Contract Drilling

Western operates a fleet of 45 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 rigs⁽¹⁾. In the first quarter of 2022, Western deregistered 12 drilling rigs with the CAOEC, all of which can be reactivated at a later date.

Production Services

Production services provides well servicing and oilfield equipment rentals in Canada. Western operates 63 well servicing rigs and is the third largest well servicing company in Canada based on CAOEC registered well servicing rigs⁽²⁾. During the fourth quarter of 2021, the Company sold three well servicing rigs that operated in the United States.

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

Nine months ended September 30								
Drilling rigs				Well servicing rigs				
Rig class ⁽¹⁾	2022			2021			2022	2021
	Canada	US	Total	Canada	US	Total	Mast type	Total
Cadium	11	2	13	23	2	25	Single	30
Montney	19	-	19	19	-	19	Double	25
Duvernay	7	6	13	7	6	13	Slant	8
Total	37	8	45	49	8	57		63

(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, 2022 and 2021.

	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	2022	2021	Change
Average crude oil and natural gas prices⁽³⁾⁽⁴⁾						
Crude Oil						
West Texas Intermediate (US\$/bbl)	91.56	70.56	30%	98.09	64.82	51%
Western Canadian Select (CDN\$/bbl)	93.53	71.77	30%	105.55	65.40	61%
Natural Gas						
30 day Spot AECO (CDN\$/mcf)	4.62	3.72	24%	5.70	3.39	68%
Average foreign exchange rates⁽⁴⁾						
US dollar to Canadian dollar	1.31	1.26	4%	1.28	1.25	2%

(1) Source: CAOEC Contractor Summary as at October 25, 2022.

(2) Source: CAOEC Fleet List as at October 25, 2022.

(3) See "Abbreviations" on page 17 of this MD&A.

(4) Source: Sproule September 30, 2022 Price Forecast, Historical Prices.

West Texas Intermediate (“WTI”) on average improved by 30% and 51% for the three and nine months ended September 30, 2022, respectively, compared to the same periods in the prior year. Similarly, pricing on Western Canadian Select crude oil increased by 30% and 61%, respectively, for the three and nine months ended September 30, 2022, compared to the same periods in the prior year. In 2022, pricing increased due to the war in Ukraine which caused significant price volatility, as well as improved demand for transportation fuels combined with tight supplies of crude oil. Natural gas prices in Canada also strengthened in 2022 due to the same factors, as the 30-day spot AECO price improved by 24% and 68% for the three and nine months ended September 30, 2022, compared to the same periods of the prior year. Additionally, the US dollar to the Canadian dollar foreign exchange rate for the three and nine months ended September 30, 2022 strengthened by 4% and 2%, respectively, compared to the same periods of the prior year.

In the United States, industry activity improved in the third quarter of 2022. As reported by Baker Hughes Company¹, the number of active drilling rigs in the United States increased by approximately 45% to 765 rigs as at September 30, 2022, as compared to 528 rigs at September 30, 2021. There were 215 active rigs in the Western Canadian Sedimentary Basin (“WCSB”) at September 30, 2022, compared to 164 active rigs as at September 30, 2021. The CAOEC² reported that for drilling in Canada, the total number of Operating Days in the WCSB increased by approximately 37% for the three months ended September 30, 2022, compared to the same period in the prior year. For the nine months ended September 30, 2022, the total number of Operating Days in the WCSB were 40% higher than the same period of the prior year. Despite improved commodity prices, there remains continued service industry concerns over the prevailing customer preference to return cash to shareholders, or pay down debt, rather than grow production through the drill bit thereby limiting industry drilling activity.

Overall Performance and Results of Operations

Operational results for the three months ended September 30, 2022, include:

- Third quarter revenue increased by \$25.5 million or 77%, to \$58.5 million in 2022 as compared to \$33.0 million in the third quarter of 2021. Contract drilling revenue totalled \$38.1 million in the third quarter of 2022, an increase of \$18.6 million or 96%, compared to \$19.5 million in the third quarter of 2021. Production services revenue was \$20.4 million for the three months ended September 30, 2022, an increase of \$6.7 million or 50%, as compared to \$13.7 million in the same period of the prior year. In the third quarter of 2022, revenue was positively impacted by improved demand compared to the third quarter of 2021 as described below:
 - o In Canada, drilling rig utilization averaged 27% in the third quarter of 2022, compared to 18% in the third quarter of 2021. The increase in activity in the third quarter of 2022 was mainly attributable to the higher commodity prices resulting from the war in Ukraine and the lifting of government restrictions globally which re-opened the economy, compared to the third quarter of 2021 when the COVID-19 pandemic reduced demand across the industry. The CAOEC industry average utilization of 40%³ for the third quarter of 2022 represented an increase of 1,300 basis points (“bps”) compared to the CAOEC industry average of 27% in the third quarter of 2021. Revenue per Operating Day averaged \$29,283 in the third quarter of 2022, an increase of 39% compared to the same period of the prior year, mainly due to improved industry demand, upgrades made to the rigs, and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer;
 - o In the United States, drilling rig utilization averaged 45% in the third quarter of 2022, compared to 13% in the third quarter of 2021, with Operating Days improving from 98 days in 2021 to 333 days in 2022. Revenue per Operating Day for the third quarter of 2022 averaged US\$26,372, a 51% increase compared to US\$17,419 in the same period of the prior year, mainly due to improved market conditions and changes in rig mix, as there was more activity with the Company’s higher spec rigs which command higher day rates; and
 - o In Canada, service rig utilization of 45% in the third quarter of 2022 was higher than 41% in the same period of the prior year, mainly due to improved activity and an increase in production work resulting from higher commodity prices. Revenue per Service Hour averaged \$975 in the third quarter of 2022 and was 34% higher than the third quarter of 2021, as a result of improved market conditions which led to higher hourly rates, due to inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer. Higher pricing led to production services revenue totaling \$20.4 million in the third quarter of 2022, an increase of \$6.7 million or 50%, as compared to the same period in the prior year.

¹ Source: Baker Hughes Company, 2022 Rig Count monthly press releases.

² Source: CAOEC, monthly Contractor Summary.

³ Source: CAOEC, monthly Contractor Summary.

- Administrative expenses increased by \$0.6 million or 15%, to \$3.3 million in the third quarter of 2022, as compared to \$2.7 million in the third quarter of 2021, due to reduced COVID-19 government subsidies received by the Company.
- The Company generated net income of \$0.8 million in the third quarter of 2022 (\$0.02 net income per basic common share) as compared to a net loss of \$10.4 million in the same period in 2021 (\$13.65 net loss per basic common share). Net income of \$0.8 million in the third quarter of 2022 represented the first time since the first quarter of 2015, excluding the second quarter of 2022 which had net income due to a gain on debt forgiveness, where the Company was able to generate positive net income, as a result of improved commodity prices and demand. The change can mainly be attributed to a \$9.8 million increase in Adjusted EBITDA, a \$3.0 million decrease in finance costs due to the lower total debt balance, a \$0.8 million decrease in depreciation expense due to certain assets being fully depreciated in the period, offset partially by a \$1.4 million increase in income tax expense and a \$0.8 million increase in stock based compensation expense.
- Adjusted EBITDA of \$14.8 million in the third quarter of 2022 was \$9.8 million, or 195%, higher compared to \$5.0 million in the third quarter of 2021. Adjusted EBITDA was higher due to improved activity in Canada in all divisions and in the US, offset partially by \$2.0 million lower COVID-19 related government subsidies received in 2022.
- Third quarter additions to property and equipment of \$8.5 million in 2022 compared to \$1.3 million added in the third quarter of 2021, consisting of \$7.1 million of expansion capital and \$1.4 million of maintenance capital, as the Company initiated its rig upgrade program in 2022.
- On August 2, 2022, Western completed a share consolidation of the Company's issued and outstanding common shares (the "Consolidation") at a ratio of one post-consolidation common share for every 120 pre-consolidation common shares. The Consolidation reduced the number of issued and outstanding common shares of the Company from 4,060,663,214 common shares to 33,838,886 common shares, and proportionate adjustments were made to the Company's outstanding restricted share units and options.

Operational results for the nine months ended September 30, 2022, include:

- Revenue for the nine months ended September 30, 2022 increased by \$49.3 million or 55%, to \$139.6 million as compared to \$90.3 million for the nine months ended September 30, 2021. In the contract drilling segment, revenue totalled \$86.3 million for the nine months ended September 30, 2022, an increase of \$34.6 million or 67%, compared to \$51.7 million in the same period in 2021. In the production services segment, revenue totalled \$53.5 million for the nine months ended September 30, 2022, as compared to \$39.1 million in the same period of the prior year, an increase of \$14.4 million or 37%. Revenue was positively impacted by improved demand and pricing in 2022, compared to 2021 as described below:
 - In Canada, drilling rig utilization averaged 23% for the nine months ended September 30, 2022, compared to 16% for the nine months ended September 30, 2021. The increase in activity in 2022 was mainly attributable to the higher commodity prices resulting from the war in Ukraine, the COVID-19 vaccination rollouts and the resulting lifting of government restrictions which re-opened the economy, compared to 2021 when the COVID-19 pandemic reduced demand across the industry. The CAOEC industry average utilization of 34%⁴ for the nine months ended September 30, 2022 represented an increase of 1,100 bps compared to the CAOEC industry average of 23% for the nine months ended September 30, 2021. Revenue per Operating Day averaged \$28,002 for the nine months ended September 30, 2022, an increase of 33% compared to the same period of the prior year, mainly due to improved industry demand, upgrades made to the rigs, and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer;
 - In the United States, drilling rig utilization averaged 31% for the nine months ended September 30, 2022, compared to 13% in the same period of 2021, with Operating Days improving from 287 days in 2021 to 683 days in 2022. Revenue per Operating Day for the nine months ended September 30, 2022 averaged US\$24,421, a 59% increase compared to US\$15,404 for the nine months ended September 30, 2021, mainly due to improved market conditions and changes in rig mix, as there was more activity with the Company's higher spec rigs which command higher day rates; and
 - In Canada, service rig utilization of 42% for the nine months ended September 30, 2022 was higher than 39% for the nine months ended September 30, 2021, as overall activity improved, but was constrained by field crew shortages across the industry and very cold weather in the first quarter of 2022. Revenue per Service Hour averaged \$928 for the nine months ended September 30, 2022 and was 29% higher than the same period of 2021, as a result of improved market conditions which led to higher hourly rates, due to inflationary pressures on operating costs,

⁴ Source: CAOEC, monthly Contractor Summary.

including higher CAOEC industry wages and fuel charges that are passed through to the customer. Higher pricing led to production services revenue totaling \$53.5 million for the nine months ended September 30, 2022, an increase of \$14.4 million or 37%, as compared to the same period in the prior year.

- Administrative expenses increased by \$1.9 million or 25%, to \$10.1 million for the nine months ended September 30, 2022, as compared to \$8.2 million in the same period of 2021, due to lower receipts related to government subsidy programs, as both the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy programs ended in 2021 and were replaced with smaller government subsidy programs.
- Net income of \$32.4 million for the nine months ended September 30, 2022 (\$1.89 net income per basic common share) compared to a net loss of \$29.8 million in the same period in 2021 (\$39.17 net loss per basic common share). The change can mainly be attributed to a \$49.4 million gain on debt forgiveness related to the Restructuring Transaction described below, a \$13.6 million increase in Adjusted EBITDA, a \$3.5 million decrease in finance costs, and a \$2.1 million decrease in depreciation expense due to certain assets being fully depreciated in the period, offset partially by a \$5.4 million increase in income tax expense.
- Adjusted EBITDA of \$27.7 million for the nine months ended September 30, 2022 was \$13.6 million, or 96%, higher compared to \$14.1 million in the same period of 2021. Adjusted EBITDA was higher due to improved activity and pricing in Canada and the US, offset partially by \$8.3 million lower COVID-19 related government subsidies received and \$0.8 million in one-time startup costs associated with reactivating certain rigs in the Company's US rig fleet.
- Year to date 2022 additions to property and equipment of \$26.5 million compared to \$4.8 million added in the same period of 2021, consisting of \$22.1 million of expansion capital and \$4.4 million of maintenance capital, as the Company initiated its rig upgrade program in 2022.
- On May 18, 2022, Western completed a recapitalization and debt restructuring transaction to restructure a portion of its outstanding debt and raise new capital (the "Restructuring Transaction").
 - As part of the Restructuring Transaction, on May 18, 2022, Western completed a rights offering to holders of its common shares on April 19, 2022 to subscribe for additional common shares (the "Rights Offering"), resulting in the issuance of an aggregate of 16,407,229 (1,968,867,475 pre-consolidation) common shares in the capital of the Company at a price of \$1.92 per share for aggregate gross proceeds of approximately \$31.5 million. As the Rights Offering was fully subscribed, Western did not utilize a standby commitment whereby G2S2 Capital Inc. ("G2S2"), Armco Alberta Inc. ("Armco") and MATCO Investments Ltd. ("Matco"), each a significant shareholder of the Company, agreed to acquire any common shares not subscribed for under the Rights Offering.
 - \$100.0 million of the principal amount owing to Alberta Investment Management Corporation ("AIMCo"), the lender under Western's second lien term loan facility (the "Second Lien Facility"), was converted into 16,666,667 (2,000,000,000 pre-consolidation) common shares at a conversion price of \$6.00 per common share (the "Debt Exchange"), resulting in AIMCo holding approximately 49.7% of the common shares following closing of the Restructuring Transaction. In addition, \$10.0 million of the proceeds from the Rights Offering was paid by Western to AIMCo to further reduce the principal amount outstanding under the Second Lien Facility, with the remaining \$21.5 million of the proceeds, net of expenses of the Restructuring Transaction, used to upgrade the Company's rig fleet.
 - Concurrent with the Debt Exchange and the repayment of \$10.0 million of the principal amount of the Second Lien Facility, the Second Lien Facility was amended to provide for an extension of the maturity of the remaining principal amount of the Second Lien Facility from January 31, 2023 to May 18, 2026; and an increase in the interest rate from 7.25% to 8.5%.
 - In addition, as part of the Restructuring Transaction, the senior secured credit facilities (the "Credit Facilities") of the Company were amended as of May 18, 2022, including amendments to (a) extend the maturity of the Credit Facilities from July 1, 2022 to May 18, 2025, (b) reduce the amount available under the Credit Facilities from \$60.0 million to \$45.0 million, and (c) revise certain financial covenants.

Details on the Restructuring Transaction are contained in Western's short form prospectus dated April 11, 2022 and related documents filed under Western's SEDAR profile on www.sedar.com.

- On June 13, 2022, Western was the first drilling and well servicing contractor to become Climate Smart certified by the emissions reduction evaluation firm Radicle Group Inc. ("Radicle") a BMO Financial Group company. As part of Western's journey through Radicle's intensive Climate Smart greenhouse gas ("GHG") inventory training and certification process, the Company has taken on the challenge of documenting, reporting, and creating an action plan to reduce its climate footprint.

Using 2018 as its base year, Western completed four annual organizational GHG inventories, which account for direct operating emissions (Scope 1), indirect emissions from purchased electricity (Scope 2) and indirect emissions not counted in the previous scopes (Scope 3) to be Climate Smart certified through to 2021. As contract drilling is part of its core business, Western believes that annual meters drilled is a key operating metric and as an intensity metric, tonnes of CO₂ per meter drilled (tCO₂/m) can be used to measure the Company's environmental value. Through the certification process, Western identified a 30% reduction in CO₂ intensity per meter drilled in 2021 compared to 2018 base year, due to regularly increasing operational productivity and the commitment to retrofitting alternative fuel technology on our rigs. The Company's 44% increase in meters drilled per day since 2018, fuel efficient rig design, and the continuous adoption of dual fuel technology are tangible ways that Western continues to help its customers meet their Scope 1 reduction targets. The Company remains committed to advancing its environmental, social, and governance reporting and providing solutions that are impactful to our stakeholders and the environment.

Outlook

In 2022, crude oil prices reached their highest levels since 2014, due to recovering demand as governments eased COVID-19 restrictions, the initiation of the Russian invasion of Ukraine and ongoing supply constraints. Uncertainty still persists concerning the ongoing war in Ukraine causing further volatility in crude oil prices and tight supply. The precise duration and extent of the adverse impacts of the current macroeconomic environment, including the war in Ukraine and potential COVID-19 variants on Western's customers, operations, business and global economic activity, remains uncertain at this time. Additionally, the delayed timing of completion of construction on the Trans Mountain pipeline expansion and the threatened shutdown of Enbridge Line 5, have contributed to continued uncertainty regarding takeaway capacity. However, activity levels for the remainder of 2022 are expected to be higher than 2021 levels as a result of increased capital spending by Western's customers. Controlling fixed costs, maintaining balance sheet strength and flexibility and managing through a post-pandemic market are priorities for the Company, as prices and demand for Western's services continue to improve.

Due to improved activity in 2022 and the closing of the Restructuring Transaction, Western's board of directors has approved an updated capital budget for 2022 of \$37 million, comprised of \$25 million of expansion capital and \$12 million of maintenance capital, with \$32 million allocated to the contract drilling segment and \$5 million allocated to the production services segment. Substantially all of the net proceeds from the Rights Offering are being used to upgrade the Company's drilling rig fleet which will drive further improvements in both utilization and pricing through all industry cycles. Western will continue to manage its costs in a disciplined manner and make required adjustments to its capital program as customer demand changes. Currently, 17 of Western's drilling rigs and 25 of Western's well servicing rigs are operating.

As at September 30, 2022, Western had \$7.0 million drawn on its \$45.0 million Credit Facilities. As described previously, subsequent to December 31, 2021, the Company amended the terms of its Credit Facilities, including extending the maturity date and amending its financial covenants. Western currently has \$11.6 million outstanding on its HSBC Bank Canada six-year committed term non-revolving facility with the participation of Business Development Canada (the "HSBC Facility"), which matures on December 31, 2026. Western currently has \$107.4 million outstanding on its Second Lien Facility. As previously announced on May 18, 2022, the Company closed its Rights Offering and Debt Restructuring Transaction, resulting in reduced debt levels, as well as the extension of the maturity date of the Second Lien Facility and the Credit Facilities. The Debt Restructuring Transaction resulted in a \$100.0 million decrease in the principal amount owing under the Second Lien Facility, resulting from the Debt Exchange and the repayment of \$10.0 million of the principal amount of the Second Lien Facility using proceeds from the Rights Offering, which will reduce the Company's finance costs on a go forward basis. The remaining net proceeds from the Rights Offering are being invested in capital upgrades on its drilling rig fleet.

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 continued 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 the restrained growth in customer drilling activity due to the continuing preference to return cash to shareholders through share buybacks, increased dividends and repayment of debt, rather than grow production. If commodity prices remain high for an extended period and as customers strengthen their balance sheets and satisfy shareholders, we expect that drilling activity will continue to increase. 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 upgraded drilling rigs and modern well servicing rigs, reputation for quality, and disciplined cash management provides Western with a competitive advantage.

Review of Results from the Third Quarter and Year to Date 2022

Segmented Information

Contract Drilling

Financial Highlights (stated in thousands)	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	2022	2021	Change
Revenue	38,106	19,460	96%	86,309	51,699	67%
Expenses						
Operating	27,518	15,936	73%	66,077	40,850	62%
Administrative	1,438	1,256	14%	4,298	3,596	20%
Adjusted EBITDA ⁽¹⁾	9,150	2,268	303%	15,934	7,253	120%
Adjusted EBITDA as a percentage of revenue ⁽¹⁾	24%	12%	100%	18%	14%	29%
Depreciation	6,999	7,702	(9%)	21,468	23,180	(7%)
Operating earnings (loss)	2,151	(5,434)	(140%)	(5,534)	(15,927)	65%
Stock based compensation	209	4	5,125%	284	62	358%
Income (loss) before income taxes	1,942	(5,438)	(136%)	(5,818)	(15,989)	64%

(1) See "Non-IFRS Measures" on page 16 of this MD&A.

During the third quarter of 2022, contract drilling revenue totalled \$38.1 million, a \$18.6 million, or 96%, increase as compared to same period in the prior year. For the nine months ended September 30, 2022, contract drilling revenue totalled \$86.3 million, a \$34.6 million, or 67%, increase as compared to the nine months ended September 30, 2021. Revenue for both the three and nine months ended September 30, 2022, was higher due to higher utilization and higher day rates as a result of improved demand and an improved spot market. See "Canadian Operations" and "United States Operations" below.

Administrative expenses for the third quarter of 2022 totalled \$1.4 million and were \$0.1 million, or 14%, higher than the same period of the prior year due to lower COVID-19 government subsidies in 2022. Similarly, for the nine months ended September 30, 2022, administrative expenses totalled \$4.3 million and were \$0.7 million, or 20%, higher than the same period of the prior year, mainly due to the lower subsidies.

Contract drilling generated income before income taxes of \$1.9 million in the third quarter of 2022, compared to a loss before income taxes of \$5.4 million in the same period of the prior year, due to a \$6.9 million increase in Adjusted EBITDA and a \$0.7 million decrease in depreciation expense, which was partially offset by higher stock based compensation expense. For the nine months ended September 30, 2022, contract drilling incurred a loss before income taxes of \$5.8 million, compared to a loss before income taxes of \$16.0 million in the same period of the prior year. The change for the nine months ended September 30, 2022, can be attributed to an \$8.6 million increase in Adjusted EBITDA and a \$1.7 million decrease in depreciation expense.

Contract drilling Adjusted EBITDA of \$9.2 million in the third quarter of 2022 was \$6.9 million, or 303%, higher than \$2.3 million in the same period of the prior year, mainly due to higher activity and day rates in 2022. For the nine months ended September 30, 2022, contract drilling Adjusted EBITDA of \$15.9 million was \$8.6 million, or 120%, higher than \$7.3 million in the same period of the prior year, mainly due to improved pricing and activity on a year-to-date basis, partially offset by \$0.8 million of one-time costs associated with reactivating rigs in the US and by inflationary pressures on operating costs. See "Canadian Operations" and "United States Operations" below.

Depreciation expense for the three and nine months ended September 30, 2022 totalled \$7.0 million and \$21.5 million respectively, and reflects decreases of \$0.7 million and \$1.7 million respectively, over the same periods of the prior year, mainly due to assets being fully depreciated in the year.

Canadian Operations

The price for Canadian crude oil increased in 2022 from an average of \$65.40/bbl in the nine months ended September 30, 2021 to \$105.55/bbl in the nine months ended September 30, 2022, which improved demand for the Company's drilling rigs. Operating Days of 909 for the three months ended September 30, 2022 were 10% higher than 824 in the same period of the prior year, resulting in drilling rig utilization of 27% in Canada, compared to 18% in the same period of the prior year. Operating Days of 2,312 for the nine months ended September 30, 2022 were 6% higher than 2,185 in the same period of the prior year, resulting in drilling rig utilization in Canada of 23%, compared to 16% in the same period of the prior year. In the first quarter of 2022, the Company deregistered 12 drilling rigs, which affected drilling rig utilization for both the three

and nine months ended September 30, 2022, all of which can be reactivated at a later date. Higher utilization for both the three and nine months ended September 30, 2022 was due to higher commodity prices resulting from the lifting of government restrictions which assisted with the economic recovery, as well as the ongoing war in Ukraine.

For the three and nine months ended September 30, 2022, revenue per Operating Day improved by 39% and 33%, respectively, averaging \$29,283 and \$28,002 compared to \$20,999 and \$21,035 respectively, in the same periods of the prior year, mainly due to improved market conditions in 2022, upgrades made to the rigs, and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer.

United States Operations

WTI prices improved from an average of US\$64.82/bbl in the nine months ended September 30, 2021 to US\$98.09/bbl in the nine months ended September 30, 2022, resulting in improved activity in the United States. For the three months ended September 30, 2022, this resulted in Western's Operating Days in the United States increasing by 240% to 333 days compared to 98 days in the same period of the prior year, which resulted in drilling rig utilization of 45% in the third quarter of 2022 compared to 13% in the same period for 2021. Similarly, for the nine months ended September 30, 2022, Operating Days in the United States increased by 138% to 683 days compared to 287 days for the nine months ended September 30, 2021, which resulted in drilling rig utilization of 31% in 2022, compared to 13% in 2021.

For the three months ended September 30, 2022, revenue per Operating Day increased by 51% as compared to the same period of the prior year, from an average of US\$17,419 in 2021 to an average of US\$26,372 in 2022. Similarly, for the nine months ended September 30, 2022, revenue per Operating Day increased by 59% as compared to the same period of the prior year, from an average of US\$15,404 in 2021 to an average of US\$24,421 in 2022. For both the three and nine months ended September 30, 2022, the higher revenue per Operating Day is due to improved spot market rates and changes in rig mix, as there was more activity with the Company's higher spec rigs which command higher day rates.

Production Services

Financial Highlights (stated in thousands)	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	2022	2021	Change
Revenue	20,448	13,671	50%	53,507	39,108	37%
Expenses						
Operating	12,924	9,476	36%	35,976	27,702	30%
Administrative	1,142	880	30%	3,162	2,325	36%
Adjusted EBITDA ⁽¹⁾	6,382	3,315	93%	14,369	9,081	58%
Adjusted EBITDA as a percentage of revenue ⁽¹⁾	31%	24%	29%	27%	23%	17%
Depreciation	2,345	2,438	(4%)	6,944	7,431	(7%)
Operating earnings	4,037	877	360%	7,425	1,650	350%
Stock based compensation	70	(1)	(7,100%)	113	40	183%
Income before income taxes	3,967	878	352%	7,312	1,610	354%

(1) See "Non-IFRS Measures" on page 16 of this MD&A.

For the quarter ended September 30, 2022, production services revenue increased by \$6.7 million or 50%, to \$20.4 million, compared to \$13.7 million in the same period of 2021. Similarly, for the nine months ended September 30, 2022, production services revenue increased by \$14.4 million, or 37%, to \$53.5 million, compared to \$39.1 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, 2022, as compared to the same periods of the prior year, is due to higher commodity prices which resulted in improved demand and drove higher hourly rates.

Service Hours increased by 11% to 18,492 hours (45% utilization) in the third quarter of 2022, compared to 16,685 hours (41% utilization) in the third quarter of 2021. Similarly, for the nine months ended September 30, 2022, Service Hours increased by 7% to 51,635 hours (42% utilization), compared to 48,277 hours (39% utilization). The increase in Service Hours for both the three and nine months ended September 30, 2022, is due to improved market conditions, which were offset partially by crew shortages, unseasonably cold weather to start the year and wet weather in the third quarter of 2022. For the three and nine months ended September 30, 2022, revenue per Service Hour averaged \$975 and \$928, and was 34% and 29% higher, respectively, than the same periods of the prior year due to improved market conditions, as well as inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer.

For the three months ended September 30, 2022, administrative expenses totalled \$1.1 million and were 30% higher than the same period of the prior year of \$0.9 million. For the nine months ended September 30, 2022, administrative expenses totalled \$3.2 million and were 36% higher than the prior year of \$2.3 million. The increase for both the three and nine months ended September 30, 2022 is due lower COVID-19 related government subsidies received by the Company in 2022.

For the third quarter of 2022, production services earned income before income taxes of \$4.0 million, compared to income before income taxes of \$0.9 million in the same period of the prior year, mainly due to a \$3.1 million increase in Adjusted EBITDA in 2022. For the nine months ended September 30, 2022, production services earned income before income taxes of \$7.3 million, compared to income before income taxes of \$1.6 million in the same period of the prior year, mainly due to a \$5.3 million increase in Adjusted EBITDA and a \$0.5 million decrease in depreciation expense.

Adjusted EBITDA increased for the three months ended September 30, 2022, by \$3.1 million, or 93%, to \$6.4 million, compared to \$3.3 million in the same period of the prior year. Similarly, Adjusted EBITDA increased for the nine months ended September 30, 2022, by \$5.3 million, or 58%, to \$14.4 million, compared to \$9.1 million in the same period of the prior year. The higher Adjusted EBITDA for both the three and nine months ended September 30, 2022 was due to improved market conditions and higher hourly rates resulting from inflationary pressure on costs, such as crew wages and fuel surcharges.

Depreciation expense for the three and nine months ended September 30, 2022 was 4% and 7% lower respectively, than the same periods of the prior year mainly due to assets that were fully depreciated in the period.

Corporate

(stated in thousands)	Three months ended September 30			Nine months ended September 30		
	2022	2021	Change	2022	2021	Change
Expenses						
Administrative	733	573	28%	2,615	2,237	17%
Depreciation	400	336	19%	1,240	1,150	8%
Operating loss	(1,133)	(909)	25%	(3,855)	(3,387)	14%
Stock based compensation	516	36	1,333%	738	117	531%
Finance costs	2,946	5,851	(50%)	11,428	14,944	(24%)
Gain on debt forgiveness	-	-	-	(49,357)	-	(100%)
Other items	(517)	(602)	(14%)	(620)	(617)	-
Income tax expense (recovery)	1,013	(357)	(384%)	3,035	(2,419)	(225%)

Corporate administrative expenses for the quarter ended September 30, 2022 totalled \$0.7 million and were \$0.1 million higher than the same period in the prior year mainly due to higher employee related costs as a result of lower COVID-19 related government subsidies received by the Company, as well as inflationary pressure on all costs. For the nine months ended September 30, 2022, corporate administrative expenses totalled \$2.6 million and were \$0.4 million, or 17%, higher than the same period in the prior year, mainly due to lower COVID-19 related government subsidies received by the Company and inflationary pressure on all costs.

Finance costs in the third quarter of 2022 of \$2.9 million were \$3.0 million lower than the same period for 2021 and represented an effective interest rate of 8.5% which was lower than 9.2% in the same period of the prior year due to a lower average debt balance outstanding during the quarter as the Restructuring Transaction closed May 18, 2022. For the nine months ended September 30, 2022, finance costs of \$11.4 million were \$3.5 million lower than the nine months ended September 30, 2021 and represented an effective interest rate of 7.9%, compared to 8.0% in the same period of the prior year.

During the nine months ended September 30, 2022, Western incurred a one-time gain on debt forgiveness of \$49.4 million, which represented the difference between the value of debt forgiveness and the fair value of the share capital issued upon the Debt Exchange, net of amortized issue costs.

Other items, which relate to foreign exchange gains and losses and the sale of assets, totalled \$0.5 million and \$0.6 million respectively, for the three and nine months ended September 30, 2022, compared to \$0.6 million in both periods of 2021.

For the third quarter of 2022, the consolidated income tax expense totalled \$1.0 million, representing an effective tax rate of 55.4% due to return to provision adjustments in the quarter, as compared to an effective tax rate of nil in the same period of 2021 where the Company did not recognize deferred tax assets in the period. For the nine months ended September 30, 2022, the consolidated income tax expense totalled \$3.0 million, representing an effective tax rate of 8.6%, as compared to an effective tax rate of 7.5% in the nine months ended September 30, 2021.

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, 2022, Western had working capital of \$21.4 million compared to working capital of \$2.2 million as at December 31, 2021. Western's total debt at September 30, 2022 decreased by \$107.0 million to \$134.6 million, compared to \$241.6 million at December 31, 2021, mainly due to the Debt Exchange and repayment of \$10.0 million of the principal amount of the Second Lien Facility as part of the Restructuring Transaction.

During the nine months ended September 30, 2022, Western had the following changes to its cash balances, which resulted in a \$5.5 million increase in cash and cash equivalents in the period:

Cash and cash equivalents (stated in thousands)	
Opening balance, at December 31, 2021	7,478
Add:	
Adjusted EBITDA ⁽¹⁾	27,688
Proceeds from rights offering	31,502
Change in non cash working capital	542
Proceeds on sale of property and equipment	250
Deduct:	
Additions to property and equipment	(26,520)
Repayment of Second Lien debt	(11,345)
Finance costs paid	(8,670)
Debt and share issuance costs	(4,068)
Repayment of lease obligations	(1,827)
Repayment of Credit Facilities	(1,000)
Repayment of the HSBC Facility	(833)
Distributions to non controlling interest	(374)
Other items	202
Ending balance, at September 30, 2022	13,025

(1) See "Non-IFRS Measures" on page 16 of this MD&A.

The Credit Facilities, which have a maximum available amount of \$45.0 million, mature on May 18, 2025. As at September 30, 2022, \$7.0 million was drawn on the Credit Facilities and \$11.7 million was drawn on the HSBC Facility. As described previously, subsequent to December 31, 2021, the Company amended the terms of its Credit Facilities, which included extending the maturity date and amending certain financial covenants. Cash flow from operations, available Credit Facilities and the Rights Offering are expected to be sufficient to cover Western's financial obligations, including working capital requirements and the 2022 capital budget.

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 16 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. Copies of Western's Credit Facilities are available under the Company's SEDAR profile at www.sedar.com.

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, 2022 is as follows:

September 30, 2022	Covenants⁽¹⁾
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio	3.0:1.0 or less
Maximum Consolidated Debt to Consolidated Capitalization Ratio	0.5:1.0 or less
Minimum Trailing 12 Month EBITDA	\$16.4 million or more

(1) See covenant definitions in Note 7 of the September 30, 2022 condensed consolidated financial statements.

At September 30, 2022, Western was in compliance with all covenants related to its Credit Facilities.

For the three and nine months ended September 30, 2022 and 2021, the Company had no customers comprising more than 10.0% 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, Western's quarterly results 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, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Revenue	58,483	30,594	50,475	41,363	32,960	20,386	36,969	27,679
Adjusted EBITDA ⁽¹⁾	14,799	2,498	10,391	8,950	5,009	2,197	6,891	5,610
Cash flow from (used in) operating activities	6,854	8,724	6,461	8,236	(2,524)	9,410	1,509	2,011
Net income (loss)	818	35,431	(3,834)	(6,021)	(10,397)	(12,940)	(6,454)	(7,443)
per share - basic and diluted	0.02	2.16	(5.02)	(7.88)	(13.65)	(17.03)	(8.49)	(9.80)
Total assets	475,651	458,196	457,226	456,003	460,872	460,443	478,527	495,625
Long term debt	127,639	121,776	233,321	226,884	228,263	225,590	233,418	237,633

(1) See "Non-IFRS Measures" on page 16 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 2020, as well as the demand destruction from the 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 and continued to increase in 2022, resulting in some improvements in activity throughout the industry.

A net loss has been incurred in prior quarters, excluding the gain on debt forgiveness in the second quarter of 2022 from the Restructuring Transaction, due to the prolonged decline in crude oil and natural gas prices in 2020 and into 2021, resulting in reduced demand. However, commodity prices began to improve in the latter part of 2021 and continued to increase into 2022, resulting in higher demand. Excluding the gain on debt forgiveness in the second quarter of 2022, net income in the third quarter of 2022 was the first time the Company has generated positive net income in a quarter since the first quarter of 2015.

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, 2022 are as follows:

(stated in thousands)	2022	2023	2024	2025	2026	Thereafter	Total
Second Lien Facility	270	1,080	1,080	1,080	104,180	-	107,690
Second Lien Facility interest	-	9,094	9,027	8,936	7,348	-	34,405
Trade payables and other current liabilities ⁽¹⁾	27,477	-	-	-	-	-	27,477
HSBC Facility	417	1,250	1,250	1,250	7,500	-	11,667
HSBC Facility interest	362	929	822	711	602	-	3,426
Lease obligations ⁽²⁾	770	2,772	2,272	651	367	-	6,832
Revolving Facility	-	-	-	7,000	-	-	7,000
Operating commitments ⁽³⁾	8,976	819	745	60	-	-	10,600
PPP Loan	218	872	872	526	-	-	2,488
Total	38,490	16,816	16,068	20,214	119,997	-	211,585

(1) Trade payables and other current liabilities exclude interest accrued as at September 30, 2022 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 Company amended the terms of the Second Lien Facility on May 18, 2022 as described previously and the Second Lien Facility is due May 18, 2026. See “Overall Performance and Results of Operations”.

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, and principal payments commenced 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.

Credit Facilities:

The Company’s Credit Facilities mature on May 18, 2025. The Company amended the Credit Facilities on May 18, 2022 as described previously. See “Overall Performance and Results of Operations”.

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.

Western expects to source funds required for the above commitments from cash flow from operations and available Credit Facilities.

Outstanding Share Data

	October 25, 2022	September 30, 2022	December 31, 2021
Common shares outstanding	33,841,318	33,841,318	764,220
Stock options outstanding	2,997,456	2,997,456	49,373
Restricted share units outstanding - equity settled	1,731	1,731	4,949

The above balances have been adjusted for the Consolidation described previously. See “Overall Performance and Results of Operations”.

Off Balance Sheet Arrangements

As at September 30, 2022, Western had no off balance sheet arrangements in place.

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 amount 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 2022, the COVID-19 pandemic and related volatility in global demand for crude oil related to the war in Ukraine, have had an impact on commodity prices which have an effect on the Company’s customers. 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 collectability taking into consideration payment history and aging of the trade receivables.

In accordance with IFRS 9, Financial Instruments, the Company evaluates the collectability of its trade and other receivables and its allowance for doubtful accounts at each reporting date. 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 reviews 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 recognizing 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 Rights Offering, 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 a material negative change in the oilfield service industry, which in turn could lead to covenant breaches on the Company's Credit Facilities, which if not amended or waived, could limit, in part, or in whole, the Company's access to the Credit Facilities and Second Lien Facility.

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, 2022 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, 2022, 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, 2022, which were prepared in accordance with IFRS. Conformity with IFRS requires management to make judgments, estimates and assumptions that are based on the facts, circumstances and estimates at the date of the condensed consolidated financial statements and affect the application of certain accounting policies and the reported amount of assets, liabilities, income and expenses.

The current economic environment and volatility in global demand results in uncertainty for the Company, which management took into consideration when applying judgments to estimates and assumptions in the condensed consolidated financial statements. A full list of critical accounting estimates is included in the Company's annual consolidated financial statements for the year ended December 31, 2021. Actual results may differ from the estimates used in preparing the condensed consolidated financial statements.

Government Grants:

In response to the COVID-19 pandemic various governments established programs to assist companies through this period of uncertainty. The Company determined that it had qualified 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 government subsidies as either other income or as a reduction of the expenses related to the grant.

For the three and nine months ended September 30, 2022, the Company recognized \$0.1 million and \$1.1 million respectively, under various COVID-19 relief programs in Canada and the United States. These subsidies were recognized as a reduction of operating expenses of \$0.1 million for the three months ended September 30, 2022 and a reduction of operating and administrative expenses by \$1.0 million and \$0.1 million respectively, for the nine months ended September 30, 2022. For the three and nine months ended September 30, 2021, the Company recognized \$2.1 million and \$9.3 million, respectively related to government subsidies. These subsidies were recognized as a reduction of operating, administrative and depreciation expense of \$1.8 million, \$0.2 million and \$0.1 million respectively, for the three months ended September 30, 2021 and \$7.9 million, \$1.0 million and \$0.4 million respectively, for the nine months ended September 30, 2021.

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, 2021, as filed under the Company's SEDAR profile at www.sedar.com.

Certain of the Company's primary business risks as at September 30, 2022 are as follows:

- The Company's business, financial condition and results of operations have been and may continue to be materially and adversely affected by the outbreak of epidemics, pandemics and other public health crises in geographic areas in which the Company has operations, customers or employees, including the COVID-19 pandemic and continued uncertainty with respect to the extent and duration of the pandemic. COVID-19 may continue to impact the Company's operations and the full extent of the impact is currently unknown, as it will depend on future developments, which are highly uncertain and cannot be predicted with any degree of certainty.
- 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, 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 and geo-political events, including the war in Ukraine, 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. The issuance of a substantial amount of equity may adversely affect prevailing market prices for the Company's common shares.
- 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 and geo-political events, including the war in Ukraine, 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.
- Liquidity risk is the risk that the Company will not be able to meet its financial and other obligations as they become due or can only do so at an excessive cost. The Company believes it can finance any future operations 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. However, there is no guarantee that Western will be able to achieve any of the foregoing if economic conditions continue or worsen. To the extent external

sources of capital become unavailable or available on onerous terms or otherwise limited, Western's assets, liabilities, business, financial condition, and results of operations may be materially and adversely affected as a result.

- If the Company's capital, development, operations or labour costs become subject to significant inflationary pressures over an extended period of time, as a result of the COVID-19 pandemic, geo-political events, including the war in Ukraine, or otherwise, the Company may not be able to fully offset such higher costs through corresponding increases in the prices charged for services. Further, there can be no assurance that any governmental action to mitigate inflationary cycles will be effective. Governmental action, such as the imposition of higher interest rates or wage controls, may also negatively impact the Company's costs. Inflation, any governmental response thereto, or the Company's inability to offset inflationary effects may have a material adverse effect on the Company's business, results of operations, financial condition or value of its share price.
- 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.
- 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.
- 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. In particular, Western may be exposed to credit-related losses in the event counterparties to contracts become insolvent, are subject to creditor protection laws or otherwise fail to fulfill their present or future financial obligations to Western.
- 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 depends on its suppliers to deliver equipment in a timely and efficient manner and the failure of the Company's suppliers to do so, could be detrimental to the Company's ability to keep customers and to grow.

- 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.
- 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's business and financial results.

Non-IFRS Measures and Ratios

Western uses certain financial measures in this MD&A which do not have any standardized meaning as prescribed by IFRS. These measures and ratios, 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 and ratios 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 and ratio 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 income (loss) for consolidated results and on a segmented basis, income (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.

Adjusted EBITDA as a percentage of revenue is a non-IFRS financial ratio which is calculated by dividing Adjusted EBITDA by revenue for the relevant period. Adjusted EBITDA as a percentage of revenue is a useful supplemental measure as it is used by management and other stakeholders, including current and potential investors, to analyze the profitability of the Company's principal operating segments.

The following table provides a reconciliation of net income (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	
	2022	2021	2022	2021
Net income (loss)	818	(10,397)	32,415	(29,791)
Income tax expense (recovery)	1,013	(357)	3,035	(2,419)
Income (loss) before income taxes	1,831	(10,754)	35,450	(32,210)
Add (deduct):				
Gain on debt forgiveness	-	-	(49,357)	-
Depreciation	9,744	10,475	29,652	31,761
Stock based compensation	795	39	1,135	219
Finance costs	2,946	5,851	11,428	14,944
Other items	(517)	(602)	(620)	(617)
Adjusted EBITDA	14,799	5,009	27,688	14,097

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 as total Service Hours divided by 217 hours per month per rig multiplied by the average rig count for the period as defined by the CAOEC industry standard.

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 forward-looking statements and forward-looking information (collectively, "forward-looking information") within the meaning of applicable Canadian securities laws, as well as other information based on Western's current expectations, estimates, projections and assumptions based on information available as of the date hereof. 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", 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 forward-looking 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, the expectation of improved activity levels in 2022 as a result of increased capital spending by Western's customers; the potential continued impact of the COVID-19 pandemic on Western's customers, operations, business and global economic activity; the potential impact of the current conflict in Ukraine on commodity prices and the demand for Western's services; the pricing for the Company's services and equipment; the Company's expected total capital budget for 2022, including the allocation of such budget; the anticipated reduction of the Company's finance costs on a go forward basis as a result of the Restructuring Transaction; 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 repayment of the Company's debt, including the source of funds required to repay such debt; maturities of the Company's contractual obligations with third parties; the use of proceeds from the Rights Offering; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; the expectation of

continued investment in the Canadian crude oil and natural gas industry; the development of Alberta and British Columbia resource plays; expectations relating to producer spending and activity levels for oilfield services; the Company's ability to maintain a competitive advantage, including the factors and practices anticipated to produce and sustain such advantage; the Company's ability to find and maintain enough field crew members; and forward-looking information contained 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 that could cause results or events to differ from current expectations reflected in the forward-looking information 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; crude oil transport, pipeline and LNG export facility approval and development; that all required regulatory and environmental approvals can be obtained on the necessary terms and in a timely manner, as required by the Company; liquidity and 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); global economic conditions and the accuracy of the Company's market outlook expectations for 2022 and in the future; the impact, direct and indirect, of the COVID-19 pandemic and geo-political events, including the war in Ukraine, on Western's 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; that any required commercial agreements can be reached; that there are no unforeseen events preventing the performance of contracts and general business, economic and market conditions.

Although Western believes that the expectations and assumptions on which such forward-looking information is based on are reasonable, undue reliance should not be placed on the forward-looking information as Western cannot give any assurance that such will prove to be correct. By its nature, forward-looking information is subject to 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 impact of the COVID-19 pandemic and geo-political events, including the war in Ukraine on global demand and prices for oil and gas, including the impact on demand for Western's services; volatility in market prices for crude oil and natural gas and the effect of this volatility on the demand for oilfield services generally; reduced exploration and development activities by customers and the effect of such reduced activities on Western's services and products; political, economic, and environmental conditions in Canada, the United States, Ukraine and globally; supply and demand for oilfield services relating to contract drilling, well servicing and oilfield rental equipment services; changes to laws, regulations and policies; failure of counterparties to perform or comply with their obligations under contracts; regional competition and the increase in new or upgraded rigs; the Company's ability to attract and retain skilled labour; Western's ability to obtain debt or equity financing and to fund capital operating and other expenditures and obligations; the potential need to issue additional debt or equity and the potential resulting dilution of shareholders; the Company's ability to comply with the covenants under the Credit Facilities, HSBC Facility and the Second Lien Facility and the restrictions on its operations and activities if it is not compliant with such covenants; Western's ability to protect itself from "cyber-attacks" which could compromise its information systems and critical infrastructure; 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, 2021, 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. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

Additional data

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