Western
ENERGY SERVICES CORP.

Q4
2020

2020 Management's Discussion and Analysis

Date: February 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. This Management's Discussion and Analysis ("MD&A") is dated February 25, 2021. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Financial Highlights	**Three months ended December 31**			**Year ended December 31**			
(stated in thousands, except share and per share amounts)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**	**2018**
Revenue	27,679	45,838	(40%)	103,684	196,408	(47%)	236,410
Adjusted EBITDA[1]	5,610	5,584	-	20,278	24,238	(16%)	31,616
Adjusted EBITDA as a percentage of revenue	20%	12%	67%	20%	12%	67%	13%
Cash flow from operating activities	2,011	8,921	(77%)	27,723	31,718	(13%)	33,231
Additions to property and equipment	1,805	2,942	(39%)	2,788	7,968	(65%)	19,960
Net loss	(7,443)	(52,249)	(86%)	(41,301)	(81,030)	(49%)	(41,060)
-basic net loss per share	(0.08)	(0.56)	(86%)	(0.45)	(0.88)	(49%)	(0.45)
-diluted net loss per share	(0.08)	(0.56)	(86%)	(0.45)	(0.88)	(49%)	(0.45)
Weighted average number of shares							
-basic	91,165,112	92,501,314	(1%)	91,253,521	92,379,902	(1%)	92,224,585
-diluted	91,165,112	92,501,314	(1%)	91,253,521	92,379,902	(1%)	92,224,585
Outstanding common shares as at period end	91,165,112	92,501,314	(1%)	91,165,112	92,501,314	(1%)	92,305,542
Operating Highlights[2]							
Contract Drilling							
Canadian Operations							
Average active rig count	8.0	11.4	(30%)	6.3	12.3	(49%)	19.2
Revenue per Billable Day	19,130	22,023	(13%)	20,900	21,383	(2%)	21,321
Revenue per Operating Day	20,883	24,725	(16%)	23,417	23,854	(2%)	23,644
Drilling rig utilization - Billable Days	16%	23%	(30%)	13%	25%	(48%)	38%
Drilling rig utilization - Operating Days	15%	21%	(29%)	12%	22%	(45%)	35%
CAODC industry average utilization - Operating Days[3]	16%	23%	(30%)	16%	22%	(27%)	29%
United States Operations							
Average active rig count	0.6	2.9	(79%)	0.7	4.4	(84%)	3.4
Revenue per Billable Day (US$)	11,829	21,979	(46%)	17,983 [4]	20,460 [5]	(12%)	21,109
Revenue per Operating Day (US$)	16,273	26,596	(39%)	22,594 [4]	24,150 [5]	(6%)	23,571
Drilling rig utilization - Billable Days	8%	37%	(78%)	9%	56%	(84%)	57%
Drilling rig utilization - Operating Days	6%	30%	(80%)	7%	47%	(85%)	51%
Production Services							
Canadian Operations							
Average active rig count	17.3	20.1	(14%)	14.6	19.1	(24%)	16.5
Revenue per Service Hour	685	680	1%	693	661	5%	686
Service rig utilization	27%	32%	(16%)	23%	30%	(23%)	25%

(1) See "Non-IFRS Measures" on page 20 of this MD&A.

(2) See "Defined Terms" on page 21 of this MD&A.

(3) Source: The Canadian Association of Oilwell Drilling Contractors ("CAODC") monthly Contractor Summary. The CAODC 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$5.0 million for the year ended December 31, 2020.

(5) Excludes shortfall commitment revenue from take or pay contracts of US$1.3 million for the year ended December 31, 2019.

Financial Position at (stated in thousands)	December 31, 2020	December 31, 2019	December 31, 2018
Working capital	15,997	7,031	15,739
Property and equipment	452,040	511,052	615,395
Total assets	495,625	550,537	667,295
Long term debt	237,633	228,274	222,258

Overall Performance and Results of Operations

Western is an oilfield service company focused on three core business lines: contract drilling, well servicing and oilfield rental equipment services. Western provides contract drilling services through its division, Horizon Drilling ("Horizon") in Canada, and its wholly owned subsidiary, Stoneham Drilling Corporation ("Stoneham") in the United States ("US"). Western provides well servicing and oilfield rental equipment services in Canada through its wholly owned subsidiary Western Production Services Corp. ("Western Production Services"). Western Production Services' division, Eagle Well Servicing ("Eagle") provides well servicing operations, while its division, Aero Rental Services ("Aero") provides oilfield rental equipment services. Stoneham's division, Western Oilfield Services, provides well servicing operations in the United States. Financial and operating results for Horizon and Stoneham are included in Western's contract drilling segment, while financial and operating results for Eagle, Aero, and Western Oilfield Services are included in Western's production services segment. Non-International Financial Reporting Standards ("Non-IFRS") measures, such as Adjusted EBITDA, are defined on page 20 of this MD&A. Abbreviations for standard industry terms are included on page 21 of this MD&A.

Western has a drilling rig fleet of 57 rigs specifically suited for drilling complex horizontal wells. Western is currently the fourth largest drilling contractor in Canada, based on the Canadian Association of Oilwell Drilling Contractors ("CAODC") registered rigs[1], with a fleet of 49 rigs operating through Horizon. Of the Canadian fleet, 23 are classified as Cardium class rigs, 19 as Montney class rigs and seven as Duvernay class rigs. As compared to the Cardium class rigs, the Montney class rigs have a larger hookload, while the Duvernay class rigs have the largest hookload allowing the rig to support more drill pipe downhole. Additionally, Western has eight drilling rigs operating through Stoneham in the US, including six Duvernay class rigs. Western is also the third largest well servicing company in Canada, based on the CAODC registered rigs[2], with a fleet of 63 rigs operating through Eagle. Additionally, Western Oilfield Services operates three well servicing rigs in the Bakersfield area of California in the US. Western's oilfield rental equipment division, which operates through Aero, provides oilfield rental equipment for hydraulic fracturing services, well completions and production work, abandonment work, coil tubing and drilling services.

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 months ended December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019.

	Three months ended December 31			Year ended December 31		
	2020	2019	Change	2020	2019	Change
Average crude oil and natural gas prices(1)(2)						
Crude Oil						
West Texas Intermediate (US$/bbl)	42.66	56.96	(25%)	39.40	57.02	(31%)
Western Canadian Select (CDN$/bbl)	43.42	54.29	(20%)	35.59	58.77	(39%)
Natural Gas						
30 day Spot AECO (CDN$/mcf)	2.58	2.42	7%	2.18	1.76	24%
Average foreign exchange rates(2)						
US dollar to Canadian dollar	1.30	1.32	(2%)	1.34	1.33	1%

(1) See "Abbreviations" on page 21 of this MD&A.

(2) Source: Sproule December 31, 2020 Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average declined by 25% and 31% for the three months and year ended December 31, 2020 respectively, compared to the same periods in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil decreased by 20% and 39% for the three months and year ended December 31, 2020 respectively,

[1] Source: CAODC Contractor Summary as at February 25, 2021.

[2] Source: CAODC Fleet List as at February 25, 2021.

compared to the same periods in the prior year. Crude oil prices in 2020 for both Canada and the US were impacted by the ongoing COVID-19 pandemic. Crude oil prices reached historical lows during 2020 which negatively impacted the demand for the Company's services. However, natural gas prices in Canada strengthened in 2020, as the 30 day spot AECO price improved by 7% and 24% respectively, for the three months and year ended December 31, 2020, compared to the same periods of the prior year. Additionally, the US dollar to the Canadian dollar foreign exchange rate weakened in the fourth quarter of 2020, but for the full year was stronger year over year, 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 decreased in 2020. As reported by Baker Hughes Company[3], the number of active drilling rigs in the United States decreased by approximately 56% to 351 rigs at December 31, 2020, as compared to the same period in the prior year. The unprecedented low demand as a result of the COVID-19 pandemic has had a significant impact on industry activity in both the US and in Canada in 2020. 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 in Canada and the US. The number of active rigs in the Western Canadian Sedimentary Basin ("WCSB") decreased to historical lows in the second quarter of 2020 with only 16 active rigs in mid-June and improved to only 67 active rigs at December 31, 2020, compared to 81 active rigs at December 31, 2019. The CAODC[4] reported that for drilling in Canada, the total number of Operating Days in the WCSB decreased by approximately 34% in 2020 as compared to 2019.

Operational results for the three months ended December 31, 2020 include:

- Fourth quarter revenue decreased by $18.1 million (or 40%) to $27.7 million in 2020 as compared to $45.8 million in the fourth quarter of 2019. In the contract drilling segment, revenue totalled $15.3 million in the fourth quarter of 2020, a decrease of $15.6 million (or 51%) as compared to $30.9 million in the fourth quarter of 2019. In the production services segment, revenue totalled $12.5 million for the three months ended December 31, 2020, as compared to $15.0 million in the same period of the prior year, a decrease of $2.5 million (or 16%). The ongoing COVID-19 pandemic significantly impacted revenue in the contract drilling and production services segments as described below:
    - The COVID-19 pandemic had a significant impact on customer demand and drilling rig utilization – Operating Days ("Drilling Rig Utilization") in Canada averaged 15% in the fourth quarter of 2020, compared to a Drilling Rig Utilization average of 21% in the same period of the prior year. The decrease in activity in the fourth quarter of 2020 was mainly attributable to the significant decrease in demand, as a result of the COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing and cancelling their 2020 drilling programs. The CAODC industry average of 16%[5] for the fourth quarter of 2020 represented a decrease of 700 basis points ("bps") compared to the CAODC industry average of 23% in the fourth quarter of 2019, mainly due to lower demand as a result of the COVID-19 pandemic. However, Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, improved to 9.0% for the fourth quarter of 2020, as compared to 8.2% in the same period of 2019. Revenue per Billable Day decreased by 13% in the fourth quarter of 2020, as compared to 2019, as current market rates weakened in the period;
    - In the fourth quarter of 2020, Horizon used its modern drilling rig fleet, specialized technology and high torque drill pipe, to successfully drill the deepest lateral well in Saskatchewan's history. As part of multiple geothermal wells drilled by Horizon for a Canadian customer's geothermal power project, Horizon has drilled the first 90 degree horizontal well targeting a geothermal formation, as well as the deepest total vertical depth well in Saskatchewan. These milestones, achieved with Western's industry partners, demonstrates Horizon's oilfield expertise, modern equipment and experienced personnel. This accomplishment highlights the ability to deliver on customer specific requirements in all applications, including new and emerging renewable energy and green initiatives;
    - In the United States, the demand destruction as a result of the COVID-19 pandemic had a significant impact on Drilling Rig Utilization which totalled 6%, as two rigs worked in the fourth quarter of 2020, compared to 30% Drilling Rig Utilization in the fourth quarter of 2019, reflecting an 81% decrease in Operating Days. Revenue per Billable Day for the fourth quarter of 2020 decreased by 46% to US$11,829, as compared to the same period of the prior year, as current spot market rates weakened in the period; and

[3] Source: Baker Hughes Company, 2020 Rig Count monthly press releases.

[4] Source: CAODC, monthly Contractor Summary.

[5] Source: CAODC, monthly Contractor Summary.

- In Canada, service rig utilization was 27% in the fourth quarter of 2020 compared to 32% in the same period of the prior year, mainly due to the demand destruction caused by the COVID-19 pandemic. Revenue per Service Hour in the fourth quarter of 2020 was steady, improving by 1% compared to the fourth quarter of 2019. Lower utilization led to well servicing revenue totalling $10.9 million in the fourth quarter of 2020, a decrease of $1.7 million (or 13%), as compared to the same period in the prior year.

- Administrative expenses decreased by $1.6 million (or 38%) to $2.6 million in the fourth quarter of 2020, as compared to $4.2 million in the fourth quarter of 2019, mainly due to lower employee related costs as a result of temporary headcount reductions, a focus on cost management, as well as the Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada due to the COVID-19 pandemic.
- The Company incurred a net loss of $7.4 million in the fourth quarter of 2020 ($0.08 per basic common share) as compared to a net loss of $52.2 million in the same period in 2019 ($0.56 per basic common share). The change can mainly be attributed to the 2019 impairment of $54.0 million, a $3.5 million decrease in depreciation expense due to certain assets being fully depreciated in the period, as well as the impact to depreciation of asset impairments in previous quarters and a $0.3 million decrease in finance costs, offset partially by a $13.0 million decrease in income tax recovery.
- Fourth quarter Adjusted EBITDA in 2020 was consistent with the same period of the prior year and totalled $5.6 million. Adjusted EBITDA was unchanged as lower contract drilling activity in Canada and the United States, and lower oilfield rental equipment and well servicing activity in Canada, was offset by the CEWS of $3.6 million and temporary headcount reductions.
- Fourth quarter 2020 additions to property and equipment of $1.8 million includes $0.3 million of expansion capital and $1.5 million of maintenance capital. In total, additions to property and equipment in the fourth quarter of 2020 decreased by $1.1 million (or 39%) from the $2.9 million incurred in the fourth quarter of 2019.
- As a result of continued market uncertainty, low commodity prices, unprecedented demand destruction due to the COVID-19 pandemic and the related outlook for current and future oilfield services activity and pricing, the Company completed an impairment test for each of its cash generating units ("CGU") as at December 31, 2020. Based on the results of the test, it was determined there was no impairment to property and equipment in the Company's contract drilling, well servicing or oilfield rental equipment CGUs.
- On December 31, 2020, the Company announced an extension of the maturity of Western's syndicated revolving first lien credit facility (the "Revolving Facility") and its committed operating facility (the "Operating Facility" and together the "Credit Facilities") from December 17, 2021 to July 1, 2022. The total commitments under the Revolving and Operating Facilities are unchanged totaling $50.0 million and $10.0 million, respectively. Western and its lenders have agreed to make some other changes to the Credit Facilities, including adjustments to its financial covenants as described on page 14 under "Liquidity and Capital Resources". In conjunction with the amended Credit Facility, Western has entered into an agreement with HSBC Bank Canada ("HSBC") for a $12.5 million six-year committed term non-revolving facility with the participation of BDC (the "HSBC Facility") under BDC's Business Credit Availability Program ("BCAP"). The BCAP program was implemented to help small and medium sized companies, directly impacted by the COVID-19 pandemic with additional liquidity to cover operating costs. The HSBC Facility bears interest at a floating rate and matures on December 31, 2026. The HSBC Facility was fully funded on December 31, 2020. Western used a portion of the proceeds to fund its January 2021 interest and principal payments under its second lien secured term loan with Alberta Investment Management Corporation ("AIMCo") and the remaining funds will be used for future interest and principal payments to AIMCo.

Operational results for the year ended December 31, 2020 include:

- Revenue in 2020 decreased by $92.7 million to $103.7 million (or 47%) compared to $196.4 million in 2019. In the contract drilling segment, revenue totalled $62.0 million in 2020, a decrease of $78.8 million (or 56%) as compared to $140.8 million in 2019 and included US$5.0 million of shortfall commitment revenue. In the production services segment, revenue totalled $42.1 million in 2020, as compared to $55.9 million in 2019, a decrease of $13.8 million (or 25%). While contract drilling day rates were steady in Canada, activity was lower in all divisions and contract drilling day rates decreased in the US, which impacted revenue as described below:
  - Drilling Rig Utilization in Canada for the year ended December 31, 2020 decreased to 12% compared to an average of 22% for the prior year. The decrease in activity in 2020 was mainly attributable to the significant decrease in crude oil prices in the latter part of the first quarter, as a result of the COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing and cancelling their 2020 drilling programs.

Drilling Rig Utilization of 12% in 2020 represented a discount of 400 bps to the CAODC industry average of 16%[6], a decrease as compared to Drilling Rig Utilization of 22% in 2019, which was consistent with the industry average. The decrease in the Company's utilization as compared to the industry average in 2020 was due to the COVID-19 pandemic decreasing demand. Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, decreased to 7.0% for the year ended December 31, 2020, as compared to 8.9% in 2019;

  - In the United States, three of the Company's eight drilling rigs worked during 2020, one of which operated on a term contract. Drilling Rig Utilization decreased to 7% in 2020, compared to 47% in 2019, reflecting an 85% decrease in Operating Days. Revenue per Billable Day for the year ended December 31, 2020 was 12% lower than the same period of the prior year, mainly due to changes in the average rig mix as the higher day rates on the Company's high specification AC 1500 HP class rigs in the Williston Basin in North Dakota were offset by the rigs working in the Permian Basin in Texas, which worked at lower average day rates, while operating at a significantly lower cost. Additionally, US$5.0 million of shortfall commitment revenue was recognized in 2020, compared to US$1.3 million in 2019; and
  - In Canada, service rig utilization was 23% for the year ended December 31, 2020 compared to 30% in the prior year. The decrease is due to continued market uncertainty including historic low commodity prices and demand destruction due to the COVID-19 pandemic in 2020. Revenue per Service Hour improved in 2020 by 5%, as compared to the prior year, due to changes in customer mix. Lower utilization, offset partially by higher pricing, led to well servicing revenue in the period decreasing by $9.2 million (or 20%) to $37.0 million, as compared to $46.2 million in the prior year.

- Administrative expenses in 2020 decreased by $6.2 million (or 37%) to $10.5 million, as compared to $16.7 million in 2019, mainly due to lower employee related costs as a result of temporary headcount reductions, the CEWS from the Government of Canada and overall cost control measures implemented by management.
- As a result of continued market uncertainty, low commodity prices, unprecedented demand destruction due to the COVID-19 pandemic and the related outlook for current and future oilfield services activity and pricing, the Company recognized impairments of $9.5 million and $2.0 million respectively, in the Company's contract drilling and oilfield equipment rentals CGUs in the first quarter of 2020. As described previously, no impairment was recognized during the second, third or fourth quarters of 2020.
- The Company incurred a net loss of $41.3 million in 2020 ($0.45 per basic common share) as compared to a net loss of $81.0 million in 2019 ($0.88 per basic common share). The change can mainly be attributed to the prior year impairment loss of $54.0 million, the current year impairment loss of $11.5 million, a $3.9 million decrease in Adjusted EBITDA, and a $16.2 million decrease in income tax recovery, offset partially by a $14.9 million decrease in depreciation expense due to certain assets being fully depreciated in the period as well as the impact to depreciation of asset impairments in previous quarters, a $1.6 million change in other items mainly due to foreign exchange gains, and a $0.7 million decrease in finance costs.
- Adjusted EBITDA for the year ended December 31, 2020, decreased by $3.9 million (or 16%) to $20.3 million as compared to $24.2 million for the year ended December 31, 2019. The year over year change in Adjusted EBITDA is due to lower contract drilling activity in Canada and the United States, and lower well servicing and oilfield rental equipment activity in Canada, offset partially by US$5.0 million of shortfall commitment revenue, lower administrative expenses and the CEWS of $8.2 million.
- Year to date additions to property and equipment in 2020 of $2.8 million included $0.5 million related to expansion capital and $2.3 million of maintenance capital. In total, additions to property and equipment for the year ended December 31, 2020 decreased by $5.2 million (or 65%) from the $8.0 million incurred in 2019.
- On January 6, 2020, the Company announced a normal course issuer bid (the "Bid"), which was filed with and accepted by the Toronto Stock Exchange. Pursuant to the Bid, Western could purchase for cancellation up to 5,200,000 common shares of the Company. The Bid commenced on January 14, 2020 and terminated on January 13, 2021. For the year ended December 31, 2020, 1,584,000 common shares for a total cost of $0.5 million were repurchased under the Bid.
- On August 7, 2020, the Company entered into a US$1.8 million promissory loan through the US paycheck protection program ("PPP"). The promissory loan has an interest rate of 1% per annum and matures on July 23, 2025. A portion of the PPP loan may be forgiven subject to certain conditions, if the proceeds are used for US payroll and other

[6] Source: CAODC, monthly Contractor Summary.

specific operating costs prior to January 1, 2021, as outlined by US Treasury guidelines. Management estimates that a portion of the promissory loan will be forgiven if all conditions are met and has recognized US$0.2 million as at December 31, 2020 in operating expenses related to loan forgiveness.

- On October 17, 2020, the Company's 7,099,547 outstanding warrants expired unexercised.

Outlook

Currently, 16 of Western's drilling rigs and 37 of Western's well servicing rigs are operating. With the 15 drilling rigs currently working in Canada, Western's Canadian market share has improved to approximately 9.4% of total drilling rigs working. One of Western's 57 drilling rigs is under a term take or pay contract, which is expected to expire in 2021. These contracts each typically generate between 250 and 350 Billable Days per year.

Due to decreased activity levels as a result of the unprecedented demand destruction and low commodity price environment associated with the COVID-19 pandemic, Western's capital budget for 2021 is expected to total approximately $6 million, which is expected to be comprised of maintenance capital, of which $4 million is budgeted for the contract drilling segment and $2 million is budgeted for the production services segment. Western believes the 2021 capital budget provides a prudent use of cash resources to manage its balance sheet. Western will continue to manage its operations in a disciplined manner and make required adjustments to its capital program as customer demand changes.

The significant decrease in crude oil prices in 2020 resulting from the COVID-19 pandemic and international price war has caused increased uncertainty in global markets. Low crude oil demand associated with the COVID-19 pandemic continues to have a significant impact on Western's customers. Additionally, uncertainty surrounding the timing of COVID-19 vaccine distribution impacts 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, as well as uncertainty regarding the in service date of the Enbridge Line 3 pipeline replacement have all resulted in continued uncertainty regarding takeaway capacity. However, activity levels in Canada and the United States in 2021 are expected to be marginally higher than 2020 levels. Controlling fixed costs, maintaining balance sheet 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. Going forward, Western expects that its variable cost structure, and prudent capital budget, will aid in preserving its balance sheet.

As at December 31, 2020, Western had $11.0 million drawn on its $60.0 million Credit Facilities which mature on July 1, 2022 and $12.5 million drawn on its HSBC Facility which matures December 31, 2026. Western currently has $209.1 million outstanding on its Second Lien Facility, which matures on January 31, 2023.

Oilfield service activity in Canada will be affected by the 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 ongoing liquidity concerns as a result of the reduced customer spending caused by the demand destruction from the COVID-19 pandemic and limited take away capacity. 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 provide a competitive advantage which will enable the Company to manage through the current challenging oilfield service environment.

Review of the Year Ended December 31, 2020 Results

Segmented Information

Western operates in the contract drilling segment as well as in the production services segment in both Canada and the United States. Contract drilling includes drilling rigs along with related equipment. Production services includes well servicing rigs and related equipment as well as oilfield rental equipment.

Contract Drilling

Financial Highlights	Three months ended December 31			Year ended December 31		
(stated in thousands)	2020	2019	Change	2020	2019	Change
Revenue	15,265	30,901	(51%)	61,992	140,771	(56%)
Expenses						
Operating	11,503	23,576	(51%)	43,782	107,913	(59%)
Administrative	617	2,167	(72%)	4,388	8,590	(49%)
Adjusted EBITDA[1]	3,145	5,158	(39%)	13,822	24,268	(43%)
Adjusted EBITDA as a percentage of revenue	21%	17%	24%	22%	17%	29%
Depreciation	8,179	11,065	(26%)	34,908	48,027	(27%)
Operating loss	(5,034)	(5,907)	(15%)	(21,086)	(23,759)	(11%)
Stock based compensation	48	55	(13%)	121	170	(29%)
Loss before income taxes and impairment	(5,082)	(5,962)	(15%)	(21,207)	(23,929)	(11%)
Additions to property and equipment	1,456	1,619	(10%)	2,038	5,128	(60%)

Operating Highlights						
Canadian Operations						
Contract drilling rig fleet:						
Average active rig count[2]	8.0	11.4	(30%)	6.3	12.3	(49%)
End of period	49	49	-	49	49	-
Revenue per Billable Day[2]	19,130	22,023	(13%)	20,900	21,383	(2%)
Revenue per Operating Day[2]	20,883	24,725	(16%)	23,417	23,854	(2%)
Operating Days[2]	675	932	(28%)	2,064	4,012	(49%)
Number of meters drilled	315,604	334,382	(6%)	789,023	1,383,001	(43%)
Number of wells drilled	51	77	(34%)	160	328	(51%)
Average Operating Days per well	13.2	12.1	9%	12.9	12.2	6%
Drilling rig utilization - Billable Days[2]	16%	23%	(30%)	13%	25%	(48%)
Drilling rig utilization - Operating Days[2]	15%	21%	(29%)	12%	22%	(45%)
CAODC industry average utilization - Operating Days[2][3]	16%	23%	(30%)	16%	22%	(27%)
United States Operations						
Contract drilling rig fleet:						
Average active rig count[2]	0.6	2.9	(79%)	0.7	4.4	(84%)
End of period	8	8	-	8	8	-
Revenue per Billable Day (US$)[2]	11,829	21,979	(46%)	17,983 [4]	20,460 [5]	(12%)
Revenue per Operating Day (US$)[2]	16,273	26,596	(39%)	22,594 [4]	24,150 [5]	(6%)
Operating Days[2]	43	224	(81%)	201	1,352	(85%)
Number of meters drilled	5,630	61,173	(91%)	62,486	371,171	(83%)
Number of wells drilled	4	15	(73%)	17	89	(81%)
Average Operating Days per well	10.8	14.9	(28%)	11.8	15.2	(22%)
Drilling rig utilization - Billable Days[2]	8%	37%	(78%)	9%	56%	(84%)
Drilling rig utilization - Operating Days[2]	6%	30%	(80%)	7%	47%	(85%)

(1) See "Non-IFRS Measures" on page 20 of this MD&A.

(2) See "Defined Terms" on page 21 of this MD&A.

(3) Source: CAODC monthly Contractor Summary. The CAODC 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$5.0 million for the year ended December 31, 2020.

(5) Excludes shortfall commitment revenue from take or pay contracts of US$1.3 million for the year ended December 31, 2019.

For the year ended December 31, 2020, revenue in the contract drilling segment totalled $62.0 million, a $78.8 million (or 56%) decrease as compared to the prior year and included US$5.0 million of shortfall commitment revenue. Revenue in 2020 was impacted by lower industry activity in Canada and the United States as customers reduced their drilling programs due to the low commodity prices, as a result of the demand destruction from the COVID-19 pandemic.

Administrative expenses for 2020 totalled $4.4 million and were $4.2 million lower than the prior year mainly due to lower employee related costs as well as the receipt of the CEWS from the Government of Canada due to the COVID-19 pandemic.

For the year ended December 31, 2020, contract drilling incurred a loss before income taxes and impairment of $21.2 million, compared to a loss before income taxes and impairment of $23.9 million in the prior year. The change for 2020 can be attributed to a $10.5 million decrease in Adjusted EBITDA, which was partially offset by a $13.1 million decrease in depreciation expense.

Contract drilling Adjusted EBITDA of $13.8 million in 2020 decreased by $10.5 million, compared to $24.3 million in 2019, mainly due to the significant decrease in activity, offset partially by a US$3.7 million increase in shortfall commitment revenue.

Depreciation expense in 2020 totalled $34.9 million and reflects a decrease of $13.1 million over the prior year, mainly due to certain assets being fully depreciated in the period as well as the impact of asset impairments in previous quarters.

Additions to property and equipment of $2.0 million in 2020 were significantly lower year over year as a result of reduced activity and consisted of $0.4 million of expansion capital and $1.6 million of maintenance capital.

As a result of continued market uncertainty, low commodity prices, unprecedented demand destruction due to the COVID-19 pandemic and the related outlook for current and future oilfield services activity and pricing, the Company recorded a $9.5 million impairment in the contract drilling segment in the first quarter of 2020. There was no impairment recognized in the contract drilling segment in the second, third or fourth quarters of 2020.

Canadian Operations

The price for Canadian crude oil declined significantly during 2020, which resulted in activity in the WCSB decreasing as most customers reduced their drilling programs, largely due to economic factors such as the extremely low crude oil demand caused by the COVID-19 pandemic, coupled with the international price war in early 2020. As a result, Operating Days in 2020 decreased by 49% resulting in Drilling Rig Utilization in Canada of 12%, as compared 22% in the prior year.

Drilling Rig Utilization in Canada of 12% in 2020 reflects a 400 bps discount to the CAODC industry average of 16%[7], as compared to being consistent with the CAODC industry average of 22% in 2019. The decrease in the Company's Drilling Rig Utilization compared to the CAODC average for the year ended December 31, 2020 was due to Western's customers cancelling their drilling programs as a result of extremely low crude oil demand. Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, decreased to 7.0% for 2020 as compared to 8.9% in 2019.

For the year ended December 31, 2020, Revenue per Billable Day decreased by 2% to $20,900, compared to $21,383 in the prior year, mainly due to lower spot market rates particularly in the fourth quarter of 2020, as rates were steady throughout the first three quarters of 2020.

United States Operations

WTI prices in 2020 were significantly lower than 2019 and drove activity lower in the United States. This resulted in Western's Operating Days in the United States decreasing for the year ended December 31, 2020 by 1,151 days (or 85%) as compared to the prior year, which resulted in Drilling Rig Utilization of 7% in 2020, compared to 47% in 2019.

For the year ended December 31, 2020, Revenue per Billable Day decreased by 12% due to lower spot market rates, as well as changes in the average rig mix with a higher proportion of billable days in the Permian Basin, which has lower day rates and lower operating costs than the Williston Basin.

[7] Source: CAODC, monthly Contractor Summary.

Production Services

Financial Highlights (stated in thousands)	Three months ended December 31 2020	2019	Change	Year ended December 31 2020	2019	Change
Revenue	12,543	14,997	(16%)	42,066	55,874	(25%)
Expenses						
Operating	8,108	12,531	(35%)	29,471	47,773	(38%)
Administrative	652	1,215	(46%)	2,740	4,801	(43%)
Adjusted EBITDA[(1)]	3,783	1,251	202%	9,855	3,300	199%
Adjusted EBITDA as a percentage of revenue	30%	8%	275%	23%	6%	283%
Depreciation	2,717	3,287	(17%)	11,468	13,240	(13%)
Operating income (loss)	1,066	(2,036)	(152%)	(1,613)	(9,940)	(84%)
Stock based compensation	33	29	14%	106	88	20%
Income (loss) before income taxes and impairment	1,033	(2,065)	(150%)	(1,719)	(10,028)	(83%)
Additions to property and equipment	336	1,270	(74%)	702	2,385	(71%)

Operating Highlights						
Canadian well servicing rig fleet:						
Average active rig count[(2)]	17.3	20.1	(14%)	14.6	19.1	(24%)
End of period	63	63	-	63	63	-
Revenue per Service Hour[(2)]	685	680	1%	693	661	5%
Service Hours[(2)]	15,924	18,494	(14%)	53,351	69,882	(24%)
Service rig utilization [(2)]	27%	32%	(16%)	23%	30%	(23%)

(1) See "Non-IFRS Measures" on page 20 of this MD&A.

(2) See "Defined Terms" on page 21 of this MD&A.

The Company's production services segment includes Eagle's well servicing fleet and Aero's oilfield rental equipment in Canada, as well as Western Oilfield Services' well servicing fleet in the United States. For the year ended December 31, 2020, revenue in the production services segment decreased by $13.8 million (or 25%) to $42.1 million, compared to $55.9 million in 2019. In 2020, Eagle's revenue decreased to $37.0 million compared to $46.2 million in the prior year, whereas Aero's revenue decreased to $4.0 million, compared to $9.3 million in the prior year. The decrease in revenue for Eagle and Aero for the year ended December 31, 2020, as compared to the prior year, is due to continued market uncertainty from demand destruction related to the COVID-19 pandemic.

Eagle's Service Hours decreased by 24% to 53,351 hours (23% utilization) in 2020, as compared to 69,882 hours (30% utilization) in 2019, mainly due to the demand destruction from the COVID-19 pandemic. Revenue per Service Hour improved by 5% to $693 in 2020, compared to $661 in 2019 due to changes in customer mix.

During the year ended December 31, 2020, administrative expenses totalled $2.7 million and were 43% lower than the prior year, mainly due to lower employee related expenses as a result of a focus on cost management, as well as the CEWS from the Government of Canada recognized in 2020.

For the year ended December 31, 2020, production services incurred a loss before income taxes and impairment of $1.6 million, compared to a loss before income taxes and impairment of $10.0 million in 2019, mainly due to a $6.6 million increase in Adjusted EBITDA and a $1.7 million decrease in depreciation expense.

Adjusted EBITDA increased in 2020 by $6.6 million to $9.9 million, compared to $3.3 million in 2019. The higher Adjusted EBITDA for the year ended December 31, 2020 was due to a focus on cost management in Eagle and the receipt of the CEWS.

Depreciation expense for 2020 was 13% lower than 2019 mainly due to certain assets being fully depreciated in the year, as well as the impact of asset impairments in previous quarters.

Additions to property and equipment in the production services segment totalled $0.7 million in 2020, as compared to $2.4 million in 2019 and included $0.1 million of expansion capital and $0.6 million of maintenance capital.

As a result of continued market uncertainty, low commodity prices, unprecedented demand destruction due to the COVID-19 pandemic and the related outlook for current and future oilfield services activity and pricing, the Company recorded a $2.0 million impairment loss in the production services segment in the first quarter of 2020. There was no impairment recognized in the production services segment in the second, third or fourth quarters of 2020.

Corporate

(stated in thousands)	Three months ended December 31 2020	2019	Change	Year ended December 31 2020	2019	Change
Expenses						
Administrative	1,318	824	60%	3,399	3,329	2%
Depreciation	418	497	(16%)	1,892	1,901	-
Operating loss	(1,736)	(1,321)	31%	(5,291)	(5,230)	1%
Stock based compensation	49	43	14%	222	328	(32%)
Finance costs	4,381	4,645	(6%)	17,963	18,697	(4%)
Other items	56	(1)	(5,700%)	(1,992)	(410)	386%
Income tax recovery	(2,828)	(15,786)	(82%)	(14,609)	(30,772)	(53%)
Additions to property and equipment	13	53	(75%)	48	455	(89%)

Corporate administrative expenses for the year ended December 31, 2020 totalled $3.3 million and were consistent with the prior year and included the CEWS from the Government of Canada implemented in the second quarter of 2020.

Finance costs in 2020 of $18.0 million were $0.7 million (or 4%) lower than 2019, and represented an effective interest rate of 7.7%, as compared to 7.9% in the prior year.

Other items, which relate to foreign exchange gains realized on the sale of US denominated dollars, in addition to the sale of assets, total $2.0 million for 2020. For the year ended December 31, 2020, other items were higher than the prior year due to the sale of US denominated dollars in the second quarter of 2020.

For the year ended December 31, 2020, consolidated income tax recovery was $14.6 million, representing an effective tax rate of 26.1%, as compared to an effective tax rate of 27.5% in 2019. The decrease in the effective tax rate for the year ended December 31, 2020 is mainly due to the decrease in the Alberta corporate tax rate substantively enacted in the second quarter of 2019.

Review of Fourth Quarter 2020 Results

Selected Financial Information

Financial Highlights	**Three months ended December 31**		
(stated in thousands, except share and per share amounts)	**2020**	**2019**	**Change**
Total Revenue	27,679	45,838	(40%)
Adjusted EBITDA[1]	5,610	5,584	-
Adjusted EBITDA as a percentage of revenue	20%	12%	67%
Cash flow from operating activities	2,011	8,921	(77%)
Additions to property and equipment	1,805	2,942	(39%)
Net loss	(7,443)	(52,249)	(86%)
-basic net loss per share	(0.08)	(0.56)	(86%)
-diluted net loss per share	(0.08)	(0.56)	(86%)
Weighted average number of shares			
-basic	91,165,112	92,501,314	(1%)
-diluted	91,165,112	92,501,314	(1%)
Outstanding common shares as at period end	91,165,112	92,501,314	(1%)
Operating Highlights			
Contract Drilling			
Canadian Operations			
Contract drilling rig fleet:			
Average active rig count[2]	8.0	11.4	(30%)
End of period	49	49	-
Revenue per Billable Day[2]	19,130	22,023	(13%)
Revenue per Operating Day[2]	20,883	24,725	(16%)
Operating Days[2]	675	932	(28%)
Number of meters drilled	315,604	334,382	(6%)
Number of wells drilled	51	77	(34%)
Average Operating Days per well	13.2	12.1	9%
Drilling rig utilization - Billable Days[2]	16%	23%	(30%)
Drilling rig utilization - Operating Days[2]	15%	21%	(29%)
CAODC industry average utilization rate[3]	16%	23%	(30%)
United States Operations			
Contract drilling rig fleet:			
Average active rig count[2]	0.6	2.9	(79%)
End of period	8	8	-
Revenue per Billable Day[2]	11,829	21,979	(46%)
Revenue per Operating Day (US$)[2]	16,273	26,596	(39%)
Operating Days[2]	43	224	(81%)
Number of meters drilled	5,630	61,173	(91%)
Number of wells drilled	4	15	(73%)
Average Operating Days per well	10.8	14.9	(28%)
Drilling rig utilization - Billable Days[2]	8%	37%	(78%)
Drilling rig utilization - Operating Days[2]	6%	30%	(80%)
Production Services			
Canadian well servicing rig fleet:			
Average active rig count[2]	17.3	20.1	(14%)
End of period	63	63	-
Revenue per Service Hour[2]	685	680	1%
Service Hours[2]	15,924	18,494	(14%)
Service rig utilization[2]	27%	32%	(16%)

(1) See "Non-IFRS Measures" on page 20 of this MD&A.

(2) See "Defined Terms" on page 21 of this MD&A.

(3) Source: CAODC monthly Contractor Summary. The CAODC industry average is based on Operating Days divided by total available drilling days.

Review of Fourth Quarter 2020 Results

Consolidated

Fourth quarter 2020 revenue decreased by $18.1 million (or 40%) to $27.7 million as compared to $45.8 million in the same period of the prior year. The decrease in consolidated revenue is mainly a result of lower activity across all operating segments due to the demand destruction caused by the COVID-19 pandemic. Adjusted EBITDA of $5.6 million was consistent with the fourth quarter of 2019, as lower activity across all operating segments was offset partially by the CEWS of $3.6 million and a focus on cost management.

As a result of continued market uncertainty and the related outlook for current and future oilfield services activity and pricing, the Company completed an impairment test for each of its CGUs as at December 31, 2020. Based on the results of these tests, it was determined that property and equipment in the Company's contract drilling, well servicing and oilfield rental equipment CGUs was not impaired at December 31, 2020.

Contract Drilling

During the fourth quarter of 2020, revenue in the contract drilling segment totalled $15.3 million, a $15.6 million decrease (or 51%), as compared to the same period of the prior year. Revenue for the three months ended December 31, 2020 was impacted by lower industry activity in Canada and the United States as customers reduced their drilling programs due to the low commodity prices, as a result of demand destruction from the COVID-19 pandemic. Pricing in both Canada and the United States decreased in the fourth quarter of 2020, decreasing by 13% and 46% respectively, due to current market rates weakening.

In the fourth quarter of 2020, Horizon used its modern drilling rig fleet, specialized technology and high torque drill pipe, to successfully drill the deepest lateral well in Saskatchewan's history. As part of multiple geothermal wells drilled by Horizon for a Canadian customer's geothermal power project, Horizon has drilled the first 90 degree horizontal well targeting a geothermal formation, as well as the deepest total vertical depth well in Saskatchewan. These milestones, achieved with Western's industry partners, demonstrates Horizon's oilfield expertise, modern equipment and experienced personnel. This accomplishment highlights the ability to deliver on customer specific requirements in all applications, including new and emerging renewable energy and green initiatives.

For the three months ended December 31, 2020, administrative expenses totalled $0.6 million and were 72% lower than the same period of the prior year, mainly due to lower employee related costs as well as the CEWS from the Government of Canada due to the COVID-19 pandemic.

Contract drilling incurred a loss before income taxes and impairment of $5.1 million in the fourth quarter of 2020, compared to a loss before income taxes and impairment of $6.0 million in the same period of the prior year. The change can be attributed to a $2.1 million decrease in Adjusted EBITDA, which was partially offset by a $2.9 million decrease in depreciation expense.

Adjusted EBITDA in the contract drilling segment for the three months ended December 31, 2020 decreased by $2.1 million to $3.1 million, as compared to $5.2 million for the same period in the prior year. The decrease for the fourth quarter of 2020 is mainly due to lower industry activity in Canada and the United States due to the COVID-19 pandemic.

Depreciation expense for the quarter ended December 31, 2020 totalled $8.2 million and reflects a decrease of $2.9 million over the same period of the prior year, mainly due to certain assets being fully depreciated in the period, as well as the impact of asset impairments in previous quarters.

Additions to property and equipment were 10% lower year over year and totalled $1.5 million in the fourth quarter of 2020. Additions to property and equipment in the fourth quarter of 2020 consisted of $0.3 million of expansion capital and $1.2 million of maintenance capital. The Company incurred expansion capital related to rig upgrades in the fourth quarter of 2020, as well as required maintenance capital.

Canadian Operations

In the fourth quarter of 2020, activity in the WCSB declined compared to the same period of the prior year, due to ongoing low demand from the COVID-19 pandemic. As a result, during the three months ended December 31, 2020, Operating Days decreased by 28% and Drilling Rig Utilization in Canada declined to 15% as compared to 21% in the same period of the prior year.

Drilling Rig Utilization in Canada of 15% in the fourth quarter of 2020 reflects a 100 bps discount to the CAODC average of 16%, as compared to a 200 bps discount to the CAODC average of 23% in the fourth quarter of 2019. Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, improved to 9.0% for the three months ended December 31, 2020 as compared to 8.2% in the same period of the prior year.

Revenue per billable day for the quarter ended December 31, decreased by 13% to $19,130, compared to $22,023 in the same period of the prior year, due to current market rates weakening.

United States Operations

Lower industry activity in the United States due to the ongoing COVID-19 pandemic, resulted in Western's Operating Days in the United States for the fourth quarter of 2020 decreasing by 181 days (or 81%) which resulted in Drilling Rig Utilization of 6%, compared to 30% in the same period of the prior year.

Revenue per Billable Day decreased in the three months ended December 31, 2020 by 46% to US$11,829, as compared to US$21,979 in the same period of the prior year. Revenue per Billable Day for the fourth quarter of 2020 decreased mainly due to a lower spot market rates in 2020, as compared to 2019 when rigs were contracted at much higher day rates.

Production Services

Revenue in the production services segment for the quarter ended December 31, 2020 decreased by $2.5 million (or 16%) to $12.5 million, compared to $15.0 million in the same period of the prior year. In the fourth quarter of 2020, Eagle's revenue decreased to $10.9 million compared to $12.6 million in the prior year, whereas Aero's decreased to $1.3 million compared to $2.1 million in the same period of the prior year. The decrease in revenue for Eagle and Aero for the three months ended December 31, 2020, as compared to the same period in the prior year, is due to lower industry activity as a result of the ongoing COVID-19 pandemic.

Eagle's Service Hours decreased by 14% to 15,924 hours (27% utilization) in the fourth quarter of 2020, as compared to 18,494 hours (32% utilization) in the same period of the prior year. The decrease in Eagle's Service Hours is mainly due to the ongoing COVID-19 pandemic which has decreased industry demand. Revenue per Service Hour improved by 1% to $685 for the three months ended December 31, 2020, as compared to the same period in the prior year, due to changes in the average customer mix.

During the three months ended December 31, 2020, administrative expenses totalled $0.7 million and were 46% lower than the same period in the prior year, mainly due to lower employee related expenses, as well as the CEWS.

Production services incurred income before income taxes and impairment of $1.0 million in the fourth quarter of 2020, compared to a loss before income taxes of $2.1 million in the same period of 2019. The change can be attributed to a $2.5 million increase in Adjusted EBITDA, offset by a $0.6 million increase in depreciation expense.

Adjusted EBITDA increased in the fourth quarter of 2020 by $2.5 million to $3.8 million, compared to $1.3 million in the fourth quarter of 2019. The higher Adjusted EBITDA for the three months ended December 31, 2020 was due to lower operating and administrative expenses due to cost saving measures implemented in 2020, as well as the CEWS.

Depreciation expense for the three months ended December 31, 2020 was 17% lower than the same period of the prior year, mainly due to certain assets being fully depreciated in the period, as well as the impact of asset impairments in previous quarters.

Additions to property and equipment totalled $0.3 million in the fourth quarter of 2020, as compared to $1.3 million in the same period of the prior year and consisted of maintenance capital.

Corporate

Corporate administrative expenses for the three months ended December 31, 2020 increased by $0.5 million as compared to the same period in the prior year due to fewer costs allocated to Western's operating segments and higher employee related costs, which were offset partially by the CEWS recognized in the quarter and a focus on cost control measures.

Finance costs of $4.4 million for the quarter ended December 31, 2020, were $0.2 million (or 6%) lower than the same period in the prior year and represented an effective interest rate of 7.4%, as compared to 7.8% in the same period of the prior year.

Other items, which relate to gains and losses on the sale of assets and foreign exchange for the three months ended December 31, 2020, were negligible and consistent with the same period of the prior year.

For the fourth quarter of 2020, consolidated income tax recovery was $2.8 million, representing an effective tax rate of 27.5%, as compared to an effective tax rate of 23.2% in the fourth quarter of 2019. The lower effective tax rate in the fourth quarter of 2019 was mainly due to the decrease in the Alberta corporate tax rate substantively enacted in the second quarter of 2019.

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 December 31, 2020, Western had working capital of $16.0 million, an increase of $9.0 million from December 31, 2019 due to the $12.5 million proceeds received from the HSBC Facility on December 31, 2020. Western's debt at December 31, 2020 increased by $8.3 million (or 3%) to $244.0 million, as compared to $235.8 million at December 31, 2019, mainly due to the draw on the HSBC Facility of $12.5 million and the PPP loan of US$1.8 million, which were partially offset by repayments of finance lease obligations, the Second Lien Facility, and the Credit Facilities.

During the year ended December 31, 2020, Western had the following changes to its cash balances, which resulted in a $15.3 million increase in cash and cash equivalents for the year:

Cash and cash equivalents (stated in thousands)	
Opening balance, at December 31, 2019	4,015
Add:	
Adjusted EBITDA[1]	20,278
Net proceeds from HSBC Facility	12,375
Change in non cash working capital	5,092
Proceeds from PPP loan	2,314
Realized foreign exchange gain	1,700
Proceeds on sale of property and equipment	549
Deduct:	
Finance costs paid	(16,959)
Repayment of other long term debt	(3,169)
Additions to property and equipment	(2,788)
Repayment of Second Lien debt	(2,150)
Repayment of Credit Facilities	(1,297)
Shares repurchased under normal course issuer bid	(478)
Other items	(160)
Ending balance, at December 31, 2020	**19,322**

(1) See "Non-IFRS Measures" on page 20 of this MD&A.

Western's Credit Facilities, which have a maximum available amount of $60.0 million, mature on July 1, 2022. As at December 31, 2020, $11.0 million was drawn on the Company's Credit Facilities and $12.5 million was drawn on the HSBC Facility. Western's cash 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 amended 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;
  - (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 December 31, 2020, the Company was in compliance with its borrowing base requirement, as its $11.0 million Credit Facility draw was less than the maximum amount calculated under the borrowing base.

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 20 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, Western and its lenders agreed to make some 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:
    - the consolidated senior debt to consolidated EBITDA covenant is waived;
    - a minimum liquidity of $5.0 million is required;
    - the maximum consolidated debt to consolidated capitalization covenant has been increased to 0.65x from 0.60x;
    - 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 December 31, 2020 is as follows:

December 31, 2020	Covenants [(1)]
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio	3.0:1.0 or less
Maximum Consolidated Debt to Consolidated Capitalization Ratio	0.6:1.0 or less
Minimum Current Ratio	1.15:1.0 or more

(1) See covenant definitions in Note 10 of the December 31, 2020 consolidated financial statements.

At December 31, 2020, Western is in compliance with all covenants related to its Credit Facilities. The adoption of IFRS 16 in 2019 did not have an impact on the Company's Credit Facility covenants.

For the years ended December 31, 2020 and 2019, the Company had no customers who comprised 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, 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)	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Revenue	27,679	13,438	10,802	51,765	45,838	47,067	37,728	65,775
Adjusted EBITDA[(1)]	5,610	2,270	4,036	8,361	5,584	4,968	2,438	11,248
Cash flow from (used in) operating activities	2,011	(1,560)	25,732	1,539	8,921	(592)	17,501	5,888
Net loss	(7,443)	(10,486)	(8,042)	(15,331)	(52,249)	(11,575)	(10,128)	(7,078)
per share - basic	(0.08)	(0.12)	(0.09)	(0.17)	(0.56)	(0.13)	(0.11)	(0.08)
per share - diluted	(0.08)	(0.12)	(0.09)	(0.17)	(0.56)	(0.13)	(0.11)	(0.08)
Total assets	495,625	488,470	494,493	542,131	550,537	617,943	626,890	663,117
Long term debt	237,633	226,719	214,255	239,118	228,274	232,722	223,363	238,590

(1) See "Non-IFRS Measures" on page 20 of this MD&A.

Revenue and Adjusted EBITDA were impacted by low commodity prices and market uncertainty throughout the last eight quarters. Mandated crude oil production cuts in Alberta in 2019 and uncertainty surrounding takeaway capacity throughout 2019 reduced overall activity in the industry. 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.

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.

With the exception of the fourth quarter of 2019 and the first quarter of 2020, which included impairment losses on property and equipment, total assets over the last eight quarters have been primarily impacted by depreciation expense exceeding additions to property and equipment as capital spending has been reduced during the downturn in crude oil and natural gas prices.

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 December 31, 2020 are as follows:

(stated in thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Second Lien Facility	2,150	2,150	205,325	-	-	-	209,625
Second Lien Facility interest	15,179	15,105	7,473	-	-	-	37,757
HSBC Facility	-	1,250	1,250	1,250	1,250	7,500	12,500
HSBC Facility interest	806	769	688	610	527	447	3,847
Revolving Facility	-	11,000	-	-	-	-	11,000
Trade payables and other current liabilities (1)	15,507	-	-	-	-	-	15,507
Operating commitments (2)	1,705	716	688	688	57	-	3,854
PPP loan	238	571	571	571	344	-	2,295
Lease obligations (3)	3,271	2,457	2,039	1,759	146	-	9,672
Total	38,856	34,018	218,034	4,878	2,324	7,947	306,057

(1) Trade payables and other current liabilities exclude the Company's interest accrued as at December 31, 2020 on the Second Lien Facility.

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

(3) Lease obligations represent the gross lease commitments to be paid over the term of the Company's outstanding long term leases and include those leases capitalized under IFRS 16.

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.

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.

Revolving Facility:

The Company's Revolving Facility matures on July 1, 2022.

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.

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 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. A portion of the PPP loan may be forgiven if the proceeds are used to support US payroll and other specific operating costs as outlined by US Treasury guidelines. As at December 31, 2020, the Company recognized US$0.2 million of loan forgiveness as a reduction of operating expenses.

Lease obligations:

The Company has other long term debt relating to leased vehicles, as well as office and equipment leases, classified as lease obligations under IFRS 16, which was adopted January 1, 2019. These leases run for terms greater than one year.

There have been no material changes in the contractual obligations, other than in the normal course of business, subsequent to December 31, 2020.

Outstanding Share Data

	February 25, 2021	December 31, 2020	December 31, 2019
Common shares outstanding	91,182,359	91,165,112	92,501,314
Warrants [(1)]	-	-	7,099,546
Stock options outstanding	7,082,384	7,464,687	7,326,530
Restricted share units outstanding - equity settled	1,211,449	1,244,159	646,247

(1) On October 17, 2020, the Company's warrants expired unexercised.

Off Balance Sheet Arrangements

As at December 31, 2020, Western had no off balance sheet arrangements in place.

Transactions with Related Parties

During the years ended December 31, 2020 and 2019, 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 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. For the year ended December 31, 2020, the COVID-19 pandemic and related decrease in global demand for crude oil, coupled with the international price war have had a significant impact on commodity prices. These factors are expected 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 continuously reviews individual customer trade receivables taking into consideration payment history and aging of the trade receivables to monitor collectability.

In accordance with IFRS 9, Financial Instruments, the Company reviews 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. Provisions recorded by the Company are reviewed regularly to determine if any balances should be written off. The allowance for doubtful accounts could materially change as a result of 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 and other 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 a loss allowance on all outstanding trade and other receivables. Subsequent to December 31, 2020, the Company has collected approximately 71% of its outstanding trade and other receivables as at December 31, 2020.

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, existing 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

The President and Chief Executive Officer ("CEO") and Senior Vice President, Finance, Chief Financial Officer & Corporate Secretary ("CFO") of Western are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for the Company.

DC&P is designed to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO by others, particularly in the period in which the annual filings are being prepared, and that information

required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified in securities legislation, and includes controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In accordance with the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2020. This evaluation was based on the framework established in the Internal Control – Integrated Framework (2013) issued in May 2013 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, the CEO and CFO have concluded that the Company's DC&P and ICFR are effectively designed and operating as intended.

The Company's management, including the CEO and CFO, does not expect that the Company's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within the Company have been detected.

There have been no changes to the Company's ICFR that occurred during the most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Critical Accounting Estimates and Recent Developments

This MD&A of the Company's financial condition and results of operations is based on the consolidated financial statements for the year ended December 31, 2020, 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 timing of COVID-19 vaccines being distributed and its resulting impact on 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 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 accounts receivable. Actual results may differ from the estimates used in preparing the consolidated financial statements.

As a result of the demand destruction and volatility in crude oil prices, the Company recognized an impairment of $9.5 million in its contract drilling CGU and $2.0 million in its oilfield rental equipment CGU in the first quarter of 2020, as further detailed in Note 8 of the consolidated financial statements for the year ended December 31, 2020. There was no impairment recognized in the second, third or fourth quarters of 2020.

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. For the three months and year ended December 31, 2020, the company has recorded $3.6 million and $8.2 million respectively, related to the CEWS from the Government of Canada. 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 by $3.2 million and $0.4 million respectively, for the three months ended December 31, 2020. For the year ended December 31, 2020, the CEWS has reduced operating and administrative expenses by $6.6 million and $1.6 million respectively, in the consolidated statement of operations.

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. For the three months and year ended December 31, 2020, the Company has recognized a reduction of operating expenses of $0.1 million and a reduction of depreciation expense of $0.2 million related to IFRS 16 related assets.

US Paycheck Protection Plan (“PPP”):

During the third quarter of 2020, the Company received US$1.8 million related to a PPP loan implemented by the US Government as part of their COVID-19 relief efforts. The PPP loan will be used to cover eligible US expenses, including payroll, utility costs, and other specific operating costs, in the period in which they are incurred. The Company expects that a portion of the PPP loan may be forgiven if all conditions of the loan are met. Interest on the PPP loan will accrue at 1% per annum. The PPP loan may be prepaid without penalties by the Company any time prior to maturity on July 23, 2025. Approximately US$0.2 million of loan forgiveness has been recognized in the consolidated statement of operations for the year ended December 31, 2020.

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 December 31, 2020 are as follows:

- The significant decrease in crude oil prices in 2020 and low crude oil demand associated with the COVID-19 pandemic is having 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 a low commodity price environment persists due to the international price war and the COVID-19 pandemic, 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. In addition, 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 and incur additional debt in the future.
- 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 and the Second Lien Facility. Given the current macroeconomic environment due to the international price war and 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 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.
- 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 as a result of 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 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 in order 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 consolidated statements of operations and comprehensive income, to Adjusted EBITDA:

	Three months ended December 31		Year ended December 31	
(stated in thousands)	**2020**	**2019**	**2020**	**2019**
Net loss	**(7,443)**	**(52,249)**	**(41,301)**	**(81,030)**
Income tax recovery	(2,828)	(15,786)	(14,609)	(30,772)
Loss before income taxes	**(10,271)**	**(68,035)**	**(55,910)**	**(111,802)**
Add (deduct):				
Depreciation	11,314	14,848	48,268	63,167
Stock based compensation	130	127	449	586
Finance costs	4,381	4,645	17,963	18,697
Other items	56	(1)	(1,992)	(410)
Impairment of property and equipment	-	54,000	11,500	54,000
Adjusted EBITDA	**5,610**	**5,584**	**20,278**	**24,238**

Defined Terms:

Average active rig count (contract drilling): Calculated as drilling rig utilization – Billable Days 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.

Billable Days: Defined as Operating Days plus rig mobilization days.

Drilling rig utilization – Operating Days (or "Drilling Rig Utilization"): Calculated based on Operating Days divided by total available days.

Drilling rig utilization – Billable Days: Calculated based on Billable 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:

- Alternating current ("AC");
- 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 Oilwell Drilling Contractors ("CAODC");
- DecaNewton ("daN");
- Horsepower ("HP");
- 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 international price war and the COVID-19 pandemic; the potential impact of the ongoing COVID-19 pandemic on the oil and gas industry in Canada and the United States; 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 (including the number of Billable Days typically generated from such contracts and expected expiration dates of such contracts); the Company’s maintenance 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, working capital requirements and the 2021 capital budget; the use, availability and sufficiency of the Company’s Credit Facilities; pricing for Western’s services and impact on Adjusted EBITDA; the Company’s ability to maintain certain covenants under its Credit Facilities; the future declaration of dividends; the potential forgiveness of a portion of the Company’s PPP loan; expectations as to the increase in crude oil transportation capacity through pipeline development; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; the future deployment or retirement of rigs and other existing assets; 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 to enable it to manage the current oilfield service environment; 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”.

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 the low commodity price environment 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 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 heading "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.