Western ENERGY SERVICES CORP.

Q1 2023

First Quarter 2023 Management's Discussion and Analysis

Date: April 25, 2023

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, 2022 and 2021, management's discussion and analysis ("MD&A") for the year ended December 31, 2022, as well as the condensed consolidated financial statements and notes as at March 31, 2023 and for the three months ended March 31, 2023 and 2022. This MD&A is dated April 25, 2023. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Financial Highlights	**Three months ended March 31**		
(stated in thousands, except share and per share amounts)	**2023**	**2022**	**Change**
Revenue	79,239	50,475	57%
Adjusted EBITDA(1)	19,196	10,391	85%
Adjusted EBITDA as a percentage of revenue(1)	24%	21%	14%
Cash flow from operating activities	6,445	6,461	-
Additions to property and equipment	5,165	4,094	26%
Net income (loss)	4,421	(3,834)	(215%)
-basic and diluted net income (loss) per share(2)	0.13	(0.57)	(123%)
Weighted average number of shares(2)			
-basic	33,841,323	6,704,402	405%
-diluted	33,843,048	6,704,402	405%
Outstanding common shares as at period end(2)	33,841,324	764,899	4,324%
Operating Highlights(3)			
Contract Drilling			
Canadian Operations			
Average active rig count	14.3	12.0	19%
Operating Days	1,283	1,081	19%
Revenue per Operating Day(1)	33,275	26,390	26%
Drilling rig utilization	42%	32%	31%
CAOEC industry average utilization(4)	45%	39%	15%
Average meters drilled per well	6,261	6,536	(4%)
Average Operating Days per well	13.2	12.6	5%
United States Operations			
Average active rig count	3.6	1.1	227%
Operating Days	327	100	227%
Revenue per Operating Day (US$)(1)	33,021	19,134	73%
Drilling rig utilization	45%	14%	221%
Average meters drilled per well	3,516	2,295	53%
Average Operating Days per well	14.4	11.7	23%
Production Services			
Average active rig count	28.0	31.0	(10%)
Service Hours	18,253	20,173	(10%)
Revenue per Service Hour(1)	1,032	876	18%
Service rig utilization	44%	49%	(10%)

(1) See "Non-IFRS Measures and Ratios" on page 12 of this MD&A.

(2) On August 2, 2022, the Company's issued and outstanding common shares were consolidated at a ratio of one post-consolidation common share for every 120 pre-consolidation common shares (the "Consolidation"), as further described in the Company's MD&A for the year ended December 31, 2022 and consolidated financial statements. The comparative 2022 balances and the weighted average number of shares has been restated to reflect the Consolidation and May 2022 rights offering.

(3) See "Defined Terms" on page 13 of this MD&A.

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

Financial Position at (stated in thousands)	March 31, 2023	December 31, 2022	December 31, 2021
Working capital (1)	36,581	21,923	2,224
Total assets	483,532	475,708	456,003
Long term debt	129,853	126,527	226,884

(1) See "Non-IFRS Measures and Ratios" on page 12 of this MD&A.

Non-International Financial Reporting Standards ("Non-IFRS") measures and ratios, such as Adjusted EBITDA, Adjusted EBITDA as a percentage of revenue, revenue per Operating Day, revenue per Service Hour and Working Capital are defined on page 12 of this MD&A. Other defined terms and abbreviations for standard industry terms are included on page 13 of this MD&A.

Business Overview

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

Contract Drilling

Western markets a fleet of 42 drilling rigs specifically suited for drilling complex horizontal wells across Canada and the US. Western is currently the fourth largest drilling contractor in Canada, based on the Canadian Association of Energy Contractors ("CAOEC") registered drilling rigs[1].

Western's marketed and owned contract drilling rig fleets are comprised of the following:

	Three months ended March 31					
	2023			2022		
Rig class (1)	Canada	US	Total	Canada	US	Total
Cardium	11	1	12	11	2	13
Montney	18	1	19	19	-	19
Duvernay	5	6	11	7	6	13
Total marketed drilling rigs (2)	**34**	**8**	**42**	**37**	**8**	**45**
Total owned drilling rigs	**48**	**8**	**56**	**49**	**8**	**57**

(1) See "Contract Driling Rig Classifications" on page 13 of this MD&A.

(2) Source: CAOEC Contractor Summary as at April 25, 2023.

Production Services

Production services provides well servicing and oilfield equipment rentals in Canada. Western operates 65 well servicing rigs and is the third largest well servicing company in Canada based on CAOEC registered well servicing rigs[2].

Western's well servicing rig fleet is comprised of the following:

Owned well servicing rigs	Three months ended March 31	
Mast type	2023	2022
Single	30	30
Double	27	25
Slant	8	8
Total owned well servicing rigs	**65**	**63**

[1] Source: CAOEC Drilling Contractor Summary as at April 25, 2023.

[2] Source: CAOEC Well Servicing Fleet List as at April 25, 2023.

Business Environment

Crude oil and natural gas prices impact the cash flow of Western's customers, which in turn impacts the demand for Western's services. The following table summarizes average crude oil and natural gas prices, as well as average foreign exchange rates, for the three months ended March 31, 2023 and 2022.

	Three months ended March 31		
	2023	**2022**	**Change**
Average crude oil and natural gas prices(1)(2)			
Crude Oil			
West Texas Intermediate (US$/bbl)	76.13	94.29	(19%)
Western Canadian Select (CDN$/bbl)	74.55	101.03	(26%)
Natural Gas			
30 day Spot AECO (CDN$/mcf)	3.35	4.94	(32%)
Average foreign exchange rates(2)			
US dollar to Canadian dollar	1.35	1.27	6%

(1) See "Abbreviations" on page 13 of this MD&A.

(2) Source: Sproule March 31, 2023, Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average decreased by 19% for the three months ended March 31, 2023, compared to the same period in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil decreased by 26% for the three months ended March 31, 2023, compared to the same period in the prior year. In 2023, crude oil prices decreased due to weakening demand for crude oil, as well as the collapse of several international financial institutions, the fear of a North American recession and continued high interest rates implemented to manage inflationary factors. Natural gas prices in Canada also declined in 2023 due to the same factors, as well as weather related factors, as the 30-day spot AECO price decreased by 32% for the three months ended March 31, 2023, compared to the same period of the prior year. Additionally, the US dollar to the Canadian dollar foreign exchange rate for the three months ended March 31, 2023 strengthened by 6% compared to the same period of the prior year.

In the United States, industry activity improved in the first quarter of 2023. As reported by Baker Hughes Company[3], the number of active drilling rigs in the United States increased by approximately 12% to 755 rigs as at March 31, 2023, as compared to 673 rigs at March 31, 2022. In Canada, there were 140 active rigs in the Western Canadian Sedimentary Basin ("WCSB") at March 31, 2023, compared to 130 active rigs as at March 31, 2022. The CAOEC[4] reported that for drilling in Canada, the total number of Operating Days in the WCSB increased by approximately 10% for the three months ended March 31, 2023, compared to the same period in the prior year. Despite a more stable economic market than experienced in past periods, there remains continued service industry concerns over the prevailing customer preference to return cash to shareholders through share buyback programs and dividends, or pay down debt, rather than grow production through the drill bit thereby limiting industry drilling activity.

Overall Performance and Results of Operations

Operational results for the three months ended March 31, 2023, include:

- Western's drilling rig upgrade program, which was initiated in 2022, has been a success and has generated a substantial portion of revenue in the first quarter of 2023. Since the upgrades have been performed and the rigs recommissioned into service, each upgraded drilling rig has been working for a customer. Additionally, the upgraded rigs have generated day rates which contributed to higher revenue in the first quarter of 2023.
- First quarter revenue increased by $28.7 million or 57%, to $79.2 million in 2023 as compared to $50.5 million in the first quarter of 2022. Contract drilling revenue totalled $58.1 million in the first quarter of 2023, an increase of $27.1 million or 88%, compared to $31.0 million in the first quarter of 2022. Production services revenue was $21.3 million for the three months ended March 31, 2023, an increase of $1.7 million or 9%, as compared to $19.6 million in the same period of the prior year. In the first quarter of 2023, revenue was positively impacted by improved pricing in all divisions, as well as higher activity in contract drilling, compared to the first quarter of 2022 as described below:
  - In Canada, Operating Days of 1,283 days in the first quarter of 2023 were 202 days (or 19%) higher compared to 1,081 days in the first quarter of 2022, resulting in drilling rig utilization of 42% in the first quarter of 2023 compared

[3] Source: Baker Hughes Company, 2023 Rig Count monthly press releases.

[4] Source: CAOEC, monthly Contractor Summary.

  to 32% in the same period of the prior year. The CAOEC industry average utilization of 45%[5] for the first quarter of 2023 represented an increase of 600 basis points ("bps") compared to the CAOEC industry average utilization of 39% in the first quarter of 2022. Revenue per Operating Day averaged $33,275 in the first quarter of 2023, an increase of 26% compared to the same period of the prior year, mainly due to rig upgrades, market driven increased pricing, and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer;
  - In the United States, drilling rig utilization averaged 45% in the first quarter of 2023, compared to 14% in the first quarter of 2022, with Operating Days improving from 100 days in the first quarter of 2022 to 327 days in the first quarter of 2023. Average active industry rigs of 744[6] in the first quarter of 2023 were 20% higher compared to the first quarter of 2022. Revenue per Operating Day for the first quarter of 2023 averaged US$33,021, a 73% increase compared to US$19,134 in the same period of the prior year, mainly due to improved pricing and changes in rig mix, as there was more activity with the Company's higher spec rigs which command higher day rates; and
  - In Canada, service rig utilization of 44% in the first quarter of 2023 was lower than 49% in the same period of the prior year, mainly due to the industry wide issue of crew availability. Revenue per Service Hour averaged $1,032 in the first quarter of 2023 and was 18% higher than the first quarter of 2022, due to improved pricing and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer.
- Administrative expenses increased by $0.8 million or 24%, to $4.2 million in the first quarter of 2023, as compared to $3.4 million in the first quarter of 2022, due to higher employee related costs along with inflationary cost increases associated with improved industry activity.
- The Company generated net income of $4.4 million in the first quarter of 2023 ($0.13 net income per basic common share) as compared to a net loss of $3.8 million in the same period in 2022 ($0.57 net loss per basic common share). The change can mainly be attributed to an $8.8 million increase in Adjusted EBITDA, a $1.6 million decrease in finance costs due to the lower total debt balance and a $0.6 million gain on asset disposals, offset partially by a $1.6 million increase in income tax expense, a $0.9 million increase in stock based compensation expense and a $0.4 million increase in depreciation expense due to property and equipment additions.
- Adjusted EBITDA of $19.2 million in the first quarter of 2023 was $8.8 million, or 85%, higher compared to $10.4 million in the first quarter of 2022. Adjusted EBITDA was higher due to improved contract drilling activity in Canada and the US, higher pricing across all divisions, and US$0.6 million of shortfall commitment revenue, which was offset partially by one-time costs of $0.6 million related to reactivating certain drilling rigs and inflationary cost increases.
- First quarter additions to property and equipment of $5.2 million in 2023 compared to $4.1 million in the first quarter of 2022, consisting of $2.7 million of expansion capital related to the substantial completion of the Company's rig upgrade program and $2.5 million of maintenance capital.

Outlook

In the first quarter of 2023, crude oil prices were impacted in the short term by the collapse of several international financial institutions, the fear of a North American recession, and continued uncertainty concerning the ongoing war in Ukraine. Additionally, the April 2, 2023, announcement by Saudi Arabia and other OPEC+ oil producers to cut oil production, caused crude oil prices to rise. Events such as these contribute to the volatility of commodity prices and the precise duration and extent of the adverse impacts of the current macroeconomic environment on Western's customers, operations, business and global economic activity, remains uncertain at this time. Additionally, the delayed timing of completion of construction on the Trans Mountain pipeline expansion, now expected to start filling with oil in late 2023 with full operation expected in 2024, and the threatened shutdown of Enbridge Line 5, have contributed to continued uncertainty regarding takeaway capacity. Controlling fixed costs, maintaining balance sheet strength and flexibility and managing through a volatile market are priorities for the Company, as prices and demand for Western's services continue to improve.

As previously announced, Western's board of directors approved a capital budget for 2023 of $30 million, comprised of $9 million of expansion capital and $21 million of maintenance capital. Western will continue to manage its costs in a disciplined manner and make required adjustments to its capital program as customer demand changes. Currently, 12 of Western's drilling rigs and 6 of Western's well servicing rigs are operating.

As at March 31, 2023, Western had $11.1 million drawn on its $45.0 million senior secured credit facilities (the "Credit Facilities") and $10.9 million outstanding on its HSBC Bank Canada six-year committed term non-revolving facility with the

[5] Source: CAOEC, monthly Contractor Summary.

[6] Source: Baker Hughes Company, North America Rotary Rig Count

participation of Business Development Canada (the "HSBC Facility"), which matures on December 31, 2026. Western currently has $106.9 million outstanding on its second lien term loan facility with Alberta Investment Management Corporation (the "Second Lien Facility").

Energy service activity in Canada will be affected by the continued development of resource plays in Alberta and northeast British Columbia which will be impacted by continued pipeline construction, environmental regulations, and the level of investment in Canada. The January 2023 announcement that the government of British Columbia and the Blueberry River First Nations reached an agreement (the "Blueberry Agreement") which provides a framework for how resource development may continue within the Blueberry River First Nations claim area, including the restoration and future development of land, water and natural resources, is expected to have a positive impact on the energy industry. Given the recent developments with the Blueberry Agreement in northeastern British Columbia, there is higher demand for Montney and Duvernay class rigs and with Western's recent drilling rig upgrade program substantially complete, the Company is well positioned to be the contractor of choice to supply drilling rigs in a tightening market. Western expects its upgraded drilling rigs to be fully utilized in the future, as such higher spec rigs are in demand in the current market. Western is also active with three fit for purpose drilling rigs in the Clearwater formation in northern Alberta. In the short term, the largest challenges facing the energy service industry are a lack of qualified field personnel and the restrained growth in customer drilling activity due to the continuing preference to return cash to shareholders through share buybacks, increased dividends and repayment of debt, rather than grow production. If commodity prices stabilize for an extended period and as customers strengthen their balance sheets and satisfy shareholders, we expect that drilling activity will continue to increase. In the medium term, Western's rig fleet is well positioned to benefit from the LNG Canada liquefied natural gas project now under construction in British Columbia. Western is an experienced deep and long driller in Canada, with an average well length of 6,261 meters drilled per well and an average of 13.2 operating days to drill per well in 2023. It remains Western's view that its upgraded drilling rigs and modern well servicing rigs, reputation for quality and capacity of the Company's rig fleet, and disciplined cash management provides Western with a competitive advantage.

Review of Results for the Quarter Ended March 31, 2023

Segmented Information

Contract Drilling

Financial Highlights (stated in thousands)	Three months ended March 31 2023	2022	Change
Revenue	58,095	30,976	88%
Expenses			
Operating	41,858	23,207	80%
Administrative	1,841	1,519	21%
Adjusted EBITDA(1)	14,396	6,250	130%
Adjusted EBITDA as a percentage of revenue(1)	25%	20%	25%
Depreciation	7,539	7,201	5%
Operating earnings (loss)	6,857	(951)	821%
Stock based compensation	224	-	100%
Income (loss) before income taxes	6,633	(951)	797%

(1) See "Non-IFRS Measures and Ratios" on page 12 of this MD&A.

For the first quarter of 2023, contract drilling revenue totalled $58.1 million, a $27.1 million, or 88%, increase as compared to the same period in the prior year. Contract drilling revenue for the three months ended March 31, 2023, improved due to higher pricing and activity in Canada and the US, as a result of improved demand and an improved spot market. See "*Canadian Operations*" and "*United States Operations*" below.

Administrative expenses for the first quarter of 2023 totalled $1.8 million and were $0.3 million, or 21%, higher than the same period of the prior year, mainly due to inflationary pressures on all employee related costs.

Contract drilling generated income before income taxes of $6.6 million in the first quarter of 2023, compared to a loss before income taxes of $1.0 million in the same period of the prior year. The change for the first quarter of 2023 can be attributed to an $8.1 million increase in Adjusted EBITDA, offset partially by a $0.3 million increase in depreciation expense and a $0.2 million increase in stock based compensation expense.

Contract drilling Adjusted EBITDA of $14.4 million in the first quarter of 2023 was $8.1 million, or 130%, higher than $6.3 million in the same period of the prior year, mainly due to improved pricing and activity, as well as US$0.6 million of shortfall commitment revenue, which was partially offset by $0.6 million of one-time costs associated with reactivating rigs in the US and by inflationary pressures on operating costs. See “*Canadian Operations*” and “*United States Operations*” below.

Depreciation expense for the first quarter of 2023 totalled $7.5 million and reflects an increase of $0.3 million over the same period of the prior year, mainly due to the substantial completion of the rig upgrade program.

Canadian Operations

The price for WCS decreased in 2023 from an average of $101.03/bbl for the first quarter of 2022 to $74.55/bbl for the first quarter of 2023. Despite the decrease in WCS, Operating Days of 1,283 days in the first quarter of 2023 were 19% higher than 1,081 days in the same period of the prior year, resulting in drilling rig utilization in Canada of 42%, compared to 32% in the prior year. Higher utilization for the first quarter of 2023 was due in part to prolonged cold weather conditions which delayed the start of spring break up and allowed the Company’s rigs to run longer than the same period of 2022.

For the three months ended March 31, 2023, revenue per Operating Day improved by 26% averaging $33,275 compared to $26,390 in the same period of the prior year, mainly due to upgrades made to the rigs and inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer.

United States Operations

WTI prices decreased from an average of US$94.29/bbl in the first quarter of 2022 to US$76.13/bbl in the first quarter of 2023. Despite the lower WTI prices, for the three months ended March 31, 2023, Operating Days in the United States increased by 227% to 327 days compared to 100 days for the three months ended March 31, 2022, which resulted in drilling rig utilization of 45% in 2023, compared to 14% in 2022.

For the three months ended March 31, 2023, revenue per Operating Day increased by 73% as compared to the same period of the prior year, from an average of US$19,134 in 2022 to an average of US$33,021 in 2023, due to improved spot market rates and changes in rig mix, as there was more activity with the Company’s higher spec rigs which command higher day rates.

Production Services

Financial Highlights	**Three months ended March 31**		
(stated in thousands)	**2023**	**2022**	**Change**
Revenue	21,307	19,586	9%
Expenses			
Operating	14,179	13,561	5%
Administrative	1,210	962	26%
Adjusted EBITDA(1)	5,918	5,063	17%
Adjusted EBITDA as a percentage of revenue(1)	28%	26%	8%
Depreciation	2,328	2,297	1%
Operating earnings	3,590	2,766	30%
Stock based compensation	75	13	477%
Income before income taxes	3,515	2,753	28%

(1) See "Non-IFRS Measures and Ratios" on page 12 of this MD&A.

For the quarter ended March 31, 2023, production services revenue increased by $1.7 million, or 9%, to $21.3 million, compared to $19.6 million in the same period of 2022. The increase in production services revenue for the first quarter of 2023 was due to higher hourly rates, as production services activity decreased due to ongoing crew shortages.

For the three months ended March 31, 2023, Service Hours of 18,253 (44% utilization) were 10% lower than the same period of the prior year of 20,173 hours (49% utilization) due to crew shortages. For the three months ended March 31, 2023, revenue per Service Hour averaged $1,032 and was 18% higher than the same period of the prior year due to inflationary pressures on operating costs, including higher CAOEC industry wages and fuel charges that are passed through to the customer.

For the three months ended March 31, 2023, administrative expenses totalled $1.2 million and were $0.2 million, or 26%, higher than the same period of the prior year of $1.0 million, mainly due to inflationary pressures on all employee related costs.

For the first quarter of 2023, production services earned income before income taxes of $3.5 million, compared to income before income taxes of $2.8 million in the same period of the prior year, mainly due to a $0.8 million increase in Adjusted EBITDA.

Adjusted EBITDA increased for the three months ended March 31, 2023, by $0.8 million, or 17%, to $5.9 million, compared to $5.1 million in the same period of the prior year. The higher Adjusted EBITDA for the first quarter of 2023, was due to higher hourly rates resulting from inflationary pressure on costs, such as higher CAOEC industry wages and fuel surcharges that are passed through to the customer.

Depreciation expense for the first quarter of 2023 was consistent with the same period of the prior year, as additions to property and equipment were offset by certain assets being fully depreciated in the period.

Corporate

	Three months ended March 31		
(stated in thousands)	**2023**	**2022**	**Change**
Expenses			
Administrative	1,118	922	21%
Depreciation	429	421	2%
Operating loss	(1,547)	(1,343)	(15%)
Stock based compensation	577	19	2,937%
Finance costs	3,042	4,627	(34%)
Other items	(606)	66	(1,018%)
Income tax expense (recovery)	1,167	(419)	379%

For the three months ended March 31, 2023, corporate administrative expenses totalled $1.1 million and were $0.2 million, or 21%, higher than the same period of the prior year mainly due to inflationary pressure on all employee related costs.

Finance costs in the first quarter of 2023 of $3.0 million were $1.6 million lower than the same period for 2022, largely due to the Company's debt restructuring transaction completed in May 2022 which reduced the Company's debt levels, and represented an effective interest rate of 8.7%, compared to 7.4% in the same period of the prior year. The higher effective interest rate was due to the Bank of Canada increasing its benchmark interest rate, which impacted the Company's floating interest rate debt.

Other items, which relate to foreign exchange gains and losses and the sale of assets, totalled a gain of $0.6 million for the three months ended March 31, 2023, compared to a loss of $0.1 million in the same period of the prior year.

For the first quarter of 2023, the consolidated income tax expense totalled $1.2 million, representing an effective tax rate of 20.9%, as compared to an effective tax rate of 9.9% in the same period of 2022. The Company had no cash taxes payable for the quarter ended March 31, 2023, or 2022.

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 March 31, 2023, Western had working capital of $36.6 million compared to working capital of $21.9 million as at December 31, 2022, mainly due to higher revenue as a result of higher activity and pricing in the first quarter of 2023, compared to the three months ended December 31, 2022. Western's total debt at March 31, 2023 increased by $3.4 million to $136.8 million, compared to $133.4 million at December 31, 2022, as increases in non-cash working capital in the quarter were only partially offset by Adjusted EBITDA generated.

During the quarter ended March 31, 2023, Western had the following changes to its cash balances, which resulted in a $2.1 million decrease in cash and cash equivalents in the period:

Cash and cash equivalents (stated in thousands)	
Opening balance, at December 31, 2022	8,878
Add:	
Adjusted EBITDA[1]	19,196
Draw on Credit Facilities	4,110
Proceeds on sale of property and equipment	679
Other items	157
Deduct:	
Change in non cash working capital	(14,693)
Finance costs paid	(5,208)
Additions to property and equipment	(5,165)
Principal repayment of lease obligations	(549)
Principal repayment of HSBC Facility	(312)
Principal repayment of Second Lien debt	(269)
Ending balance, at March 31, 2023	**6,824**

(1) See "Non-IFRS Measures and Ratios" on page 12 of this MD&A.

The Credit Facilities, which have a maximum available amount of $45.0 million, mature on May 18, 2025. As at March 31, 2023, $11.1 million was drawn on the Credit Facilities and $10.9 million was drawn on the HSBC Facility. Cash flow from operations and available Credit Facilities are expected to be sufficient to cover Western's financial obligations, including working capital requirements and the 2023 capital budget.

Amounts borrowed under the Credit Facilities bear interest at the bank's Canadian prime rate or the banker's acceptance rate plus an applicable margin depending, in each case, on the ratio of Consolidated Debt to Consolidated EBITDA as defined by the Credit Facilities agreement. Consolidated EBITDA, as defined by the Credit Facilities agreement, differs from Adjusted EBITDA as defined under Non-IFRS Measures on page 12 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, Leases. Copies of Western's Credit Facilities are available under the Company's SEDAR profile at www.sedar.com.

The Credit Facilities are secured by the assets of Western and its subsidiary. A summary of the Company's financial covenants as at March 31, 2023 is as follows:

March 31, 2023	**Covenants [1]**
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio	3.0:1.0 or less
Maximum Consolidated Debt to Consolidated Capitalization Ratio	0.5:1.0 or less
Minimum Debt Service Coverage Ratio	1.15 or more

(1) See covenant definitions in Note 7 of the March 31, 2023 condensed consolidated financial statements.

At March 31, 2023, Western was in compliance with all covenants related to its Credit Facilities.

Summary of Quarterly Results

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

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

Three months ended (stated in thousands, except per share amounts)	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021
Revenue	79,239	60,792	58,483	30,594	50,475	41,363	32,960	20,386
Adjusted EBITDA(1)	19,196	12,233	14,799	2,498	10,391	8,950	5,009	2,197
Cash flow from (used in) operating activities	6,445	6,502	6,854	8,724	6,461	8,236	(2,524)	9,410
Net income (loss)	4,421	(3,095)	818	35,431	(3,834)	(6,021)	(10,397)	(12,940)
per share - basic and diluted(2)	0.13	(0.09)	0.02	1.81	(0.57)	(0.90)	(1.56)	(1.94)
Total assets	483,532	475,708	475,651	458,196	457,226	456,003	460,872	460,443
Long term debt	129,853	126,527	127,639	121,776	233,321	226,884	228,263	225,590

(1) See "Non-IFRS Measures and Ratios" on page 12 of this MD&A.

(2) Basic and diluted net income (loss) per share for the three months ended June 30, 2022 and earlier, have been restated to reflect the Consolidation and the 2022 rights offering, described further in the December 31, 2022 consolidated financial statements.

Revenue and Adjusted EBITDA were impacted by commodity prices and market uncertainty throughout the last eight quarters. The demand destruction resulting from the COVID-19 pandemic that started in 2020 and continued throughout 2021 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. However, crude oil prices began to recover in 2021 and continued to stabilize in 2022, resulting in improvements in pricing and activity throughout the industry. The first quarter of 2023 continued to be impacted by crude oil price volatility due to the failure of several international financial institutions, and the fear of a North American recession, as well as the ongoing war in Ukraine.

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

Commitments

In the normal course of business, the Company incurs commitments related to its contractual obligations. The expected maturities of the Company's contractual obligations as at March 31, 2023 are as follows:

(stated in thousands)	2023	2024	2025	2026	2027	Thereafter	Total
Trade payables and other current liabilities (1)	30,179	-	-	-	-	-	30,179
Operating commitments (2)	10,931	757	61	-	-	-	11,749
Second Lien Facility	811	1,080	1,080	104,180	-	-	107,151
Second Lien Facility interest	4,511	9,027	8,936	7,348	-	-	29,822
HSBC Facility	938	1,250	1,250	7,500	-	-	10,938
HSBC Facility interest	709	846	732	620	-	-	2,907
Lease obligations (3)	2,267	2,434	817	447	17	-	5,982
Revolving Facility	-	-	10,000	-	-	-	10,000
Operating Facility	-	-	1,110	-	-	-	1,110
PPP Loan	784	1,046	633	-	-	-	2,463
Total	**51,130**	**16,440**	**24,619**	**120,095**	**17**	-	**212,301**

(1) Trade payables and other current liabilities exclude interest accrued as at March 31, 2023 on the Second Lien Facility and the HSBC Facility which are stated separately.

(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.

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.

Second Lien Facility and interest:

The Company pays interest on the Second Lien Facility semi-annually on January 1 and July 1 and pays principal payments quarterly. The Company's Second Lien Facility matures on May 18, 2026.

HSBC Facility and interest:

The Company pays principal and interest on the HSBC Facility monthly, which matures on December 31, 2026.

Lease obligations:

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

Credit Facilities:

The Company's Credit Facilities mature on May 18, 2025.

PPP loan:

The Company has a US$1.8 million US Paycheck Protection Program ("PPP") loan obtained as part of the COVID-19 relief efforts in the US. The promissory loan has an interest rate of 1% per annum, will be repaid in equal monthly payments over its five year term and matures on August 7, 2025.

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

Outstanding Share Data

	April 25, 2023	March 31, 2023	December 31, 2022
Common shares outstanding	33,841,324	33,841,324	33,841,318
Stock options outstanding	3,088,216	3,109,476	3,109,490
Restricted share units outstanding - equity settled	1,725	1,725	1,731

Off Balance Sheet Arrangements

As at March 31, 2023, Western had no off balance sheet arrangements in place.

Financial Risk Management

Interest Risk

The Company is exposed to interest rate risk on certain debt instruments, such as the Credit Facilities and the HSBC Facility, to the extent the prime interest rate changes and/or the Company's interest rate margin changes. Other long term debt, such as the Second Lien Facility, PPP loan and the Company's lease obligations, have fixed interest rates, however they are subject to interest rate fluctuations relating to refinancing.

Inflation Risk

The general rate of inflation impacts the economies and business environments in which Western operates. Increased inflation and any economic conditions resulting from governmental attempts to reduce inflation, such as the imposition of higher interest rates could negatively impact Western's borrowing costs, which could, in turn, have a material adverse effect on Western's cash flow and ability to service obligations under the Credit Facilities, HSBC Facility and the Second Lien Facility.

Foreign Exchange Risk

The Company is exposed to foreign currency fluctuations in relation to its US dollar capital expenditures and international operations. At March 31, 2023, portions of the Company's cash balances, trade and other receivables, trade payables and other current liabilities were denominated in US dollars and subject to foreign exchange fluctuations which are recorded within net income (loss). In addition, Stoneham, Western's US subsidiary, is subject to foreign currency translation adjustments upon consolidation, which is recorded separately within other comprehensive income (loss).

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 energy industry and are subject to industry credit risk. For the three months ended March 31, 2023, the volatility in global demand for crude oil related to the war in Ukraine and the economic volatility as countries navigate in a post-pandemic environment, have had an impact on commodity prices which have an effect on the Company's customers. 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 creditworthiness of new customers before credit terms are offered.

Additionally, the Company continually evaluates individual customer trade receivables for collectability considering payment history and aging of the trade receivables.

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

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

Liquidity Risk

Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they become due. The Company manages liquidity risk through management of its capital structure, monitoring and reviewing actual and forecasted cash flows and the effect on bank covenants and maintaining unused credit facilities where possible to ensure there are available cash resources to meet the Company's liquidity needs. This assessment could be adversely affected by a material negative change in the energy service industry, which in turn could lead to covenant breaches on the Company's Credit Facilities, which if not amended or waived, could limit, in part, or in whole, the Company's access to the Credit Facilities and Second Lien Facility.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

As Western's common shares trade on the Toronto Stock Exchange, pursuant to National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the President and Chief Executive Officer ("CEO") and Senior Vice President, Finance, Chief Financial Officer and Corporate Secretary ("CFO") of the Company have certified as at March 31, 2023 that they have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities, particularly during the periods in which the interim filings of the Company are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

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

During the three months ended March 31, 2023, there were no changes in internal control over financial reporting that materially affected, or are reasonably likely to materially affect, Western's internal control over financial reporting.

Critical Accounting Estimates and Recent Developments

The accounting policies used in preparing the Company's financial statements are described in Note 2 of the Company's condensed consolidated financial statements as at March 31, 2023 and for the three months ended March 31, 2023 and 2022. There were no new accounting standards or amendments to existing standards adopted in the three months ended March 31, 2023 that are expected to have a material impact on the Company's financial statements.

This MD&A of the Company's financial condition and results of operations is based on the condensed consolidated financial statements for the three months ended March 31, 2023, which were prepared in accordance with IFRS. Conformity with IFRS requires management to make judgments, estimates and assumptions that are based on the facts, circumstances, and estimates at the date of the condensed consolidated financial statements and affect the application of certain accounting policies and the reported amount of assets, liabilities, income and expenses.

The current economic environment and volatility in global demand for commodities results in uncertainty for the Company, which management took into consideration when applying judgments to estimates and assumptions in the condensed consolidated financial statements. A full list of critical accounting estimates is included in the Company's annual consolidated financial statements for the year ended December 31, 2022. Actual results may differ from the estimates used in preparing the consolidated financial statements.

Business Risks

Management has identified the primary risk factors that could potentially have a material impact on the financial results and operations of Western. There have been no material changes to the risk factors presented in Western's MD&A and annual information form ("AIF") for the year ended December 31, 2022. Western's MD&A and AIF are available under the Company's SEDAR profile at www.sedar.com and through Western's website at www.wesc.ca.

Non-IFRS Measures and Ratios

Western uses certain financial measures in this MD&A which do not have any standardized meaning as prescribed by IFRS. These measures and ratios, which are derived from information reported in the condensed consolidated financial statements, may not be comparable to similar measures presented by other reporting issuers. These measures and ratios have been described and presented in this MD&A to provide shareholders and potential investors with additional information regarding the Company. The non-IFRS measures and ratios used in this MD&A are 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 non-GAAP financial measure as it is used by management and other stakeholders, including current and potential investors, to analyze the Company's principal business activities, prior to consideration of how Western's activities are financed and the impact of foreign exchange, income taxes and depreciation. Adjusted EBITDA provides an indication of the results generated by the Company's principal operating segments, which assists management in monitoring current and forecasting future operations, as certain non-core items such as interest and finance costs, taxes, depreciation and amortization, and other non-cash items and one-time gains and losses are removed. The closest IFRS measure would be net income (loss) for consolidated results and on a segmented basis, income (loss) before income taxes and impairment, as the Company manages its income tax position on a legal entity basis, which can differ from its operating segments.

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

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

	Three months ended March 31	
(stated in thousands)	**2023**	**2022**
Net income (loss)	**4,421**	**(3,834)**
Income tax expense (recovery)	1,167	(419)
Income (loss) before income taxes	**5,588**	**(4,253)**
Add (deduct):		
Depreciation	10,296	9,919
Stock based compensation	876	32
Finance costs	3,042	4,627
Other items	(606)	66
Adjusted EBITDA	**19,196**	**10,391**

Revenue per Operating Day

This non-IFRS measures is calculated as total drilling revenue for both Canada and the US respectively, divided by Operating Days in Canada and the US respectively. This calculation represents the average day rate by country, charged to Western's customers.

Revenue per Service Hour

This non-IFRS measure is calculated as total well servicing revenue divided by total Service Hours. This calculation represents the average hourly rate charged to Western's customers.

Working Capital

This non-IFRS measure is calculated as current assets less current liabilities as disclosed in the Company's condensed consolidated financial statements.

Defined Terms

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

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

Average meters drilled per well: Defined as total meters drilled divided by the number of wells completed in the period.

Average Operating Days per well: Defined as total Operating Days divided by the number of wells completed in the period.

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

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

Service Hours: Defined as well servicing hours completed.

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

Contract Drilling Rig Classifications

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

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

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

Abbreviations:

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

Forward-Looking Statements and Information

This MD&A contains certain forward-looking statements and forward-looking information (collectively, "forward-looking information") within the meaning of applicable Canadian securities laws, as well as other information based on Western's current expectations, estimates, projections and assumptions based on information available as of the date hereof. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and words and phrases such as "may", "will", "should", "could", "expect", "intend", "anticipate", "believe", "estimate", "plan", "predict", "potential", "continue", or the negative of these terms or other comparable terminology are generally intended to identify forward-looking information. Such information represents the Company's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of additions to property and equipment, anticipated future debt levels and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

In particular, forward-looking information in this MD&A includes, but is not limited to, statements relating to: the business of Western, industry, market and economic conditions and any anticipated effects on Western; commodity pricing; the future demand for the Company's services and equipment, in particular, the Company's expectations regarding improved activity in 2023; Western's expectations regarding prevailing customer preferences; the potential impact of the current conflict in Ukraine on commodity prices; the potential impact of a North American recession; the demand for Western's services; the pricing for the Company's services and equipment; the Company's total capital budget for 2023; Western's plans for managing its capital program; the energy service industry and global economic activity; expectations with respect to the Trans Mountain pipeline expansion; the potential shutdown of Enbridge Line 5; the positive impact of the Blueberry River First Nations decision on the energy industry; challenges facing the energy service industry; the Company's liquidity needs including the ability of current capital resources to cover Western's financial obligations; the use, availability and sufficiency of the Company's Credit Facilities; the Company's ability to maintain certain covenants under its Credit Facilities; the repayment of the Company's debt, including the source of funds required to repay such debt; maturities of the Company's contractual obligations with third parties; the Company's use of forward foreign currency contracts; estimates with respect to foreign exchange rates; factors affecting companies with credit risk; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; the expectation of continued investment in the Canadian crude oil and natural gas industry; the development of Alberta and British Columbia resource plays; expectations relating to producer spending and activity levels for oilfield services; the Company's ability to maintain a competitive advantage, including the factors and practices anticipated to produce and sustain such advantage; and forward-looking information contained under the headings "*Disclosure Controls and Procedures and Internal Controls Over Financial Reporting*", "*Business Risks*" and "*Critical Accounting Estimates and Recent Developments*".

The material assumptions that could cause results or events to differ from current expectations reflected in the forward-looking information in this MD&A include, but are not limited to: demand levels and pricing for oilfield services; demand for crude oil and natural gas and the price and volatility of crude oil and natural gas; pressures on commodity pricing; the impact of inflation; the continued business relationships between the Company and its significant customers; crude oil transport, pipeline and LNG export facility approval and development; that all required regulatory and environmental approvals can be obtained on the necessary terms and in a timely manner, as required by the Company; liquidity and the Company's ability to finance its operations; the effectiveness of the Company's cost structure and capital budget; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business and the Company's competitive position therein; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); global economic conditions and the accuracy of the Company's market outlook expectations for 2023 and in the future; the impact, direct and indirect, of the COVID-19 pandemic and geopolitical events, including the war in Ukraine, on Western's business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; the ability to maintain a satisfactory safety record; that any required commercial agreements can be reached; that there are no unforeseen events preventing the performance of contracts and general business, economic and market conditions.

Although Western believes that the expectations and assumptions on which such forward-looking information is based on are reasonable, undue reliance should not be placed on the forward-looking information as Western cannot give any assurance that such will prove to be correct. By its nature, forward-looking information is subject to inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, volatility in market prices for crude oil and natural gas and the effect of this volatility on the demand for oilfield services generally; reduced exploration and development activities by customers and the effect of such reduced activities on Western's services and products; political, industry, market, economic, and environmental conditions in Canada, the United States, Ukraine and globally; supply and demand for oilfield services relating to contract drilling, well servicing and oilfield rental equipment services; the proximity, capacity and accessibility of crude oil and natural gas pipelines and processing facilities; liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks; changes to laws, regulations and policies; the ongoing geopolitical events in Eastern Europe and the duration and impact thereof; fluctuations in foreign exchange or interest rates; failure of counterparties to perform or comply with their obligations under contracts; regional competition and the increase in new or upgraded rigs; the Company's ability to attract and retain skilled labour; Western's ability to obtain debt or equity financing and to fund capital operating and other expenditures and obligations; the potential need to issue additional debt or equity and the potential resulting dilution of shareholders; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; the Company's ability to comply with the covenants under the Credit Facilities, HSBC Facility and the Second Lien Facility and the restrictions on its operations and activities if it is not compliant with such covenants; Western's ability to protect itself from "cyber-attacks" which could compromise its information systems and critical infrastructure; disruptions to global supply chains; and other general industry, economic, market and business conditions. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Additional information on these and other risk factors that could affect Western's operations and financial results are discussed under the headings "*Business Risks*" herein and "*Risk Factors*" in Western's AIF for the year ended December 31, 2022, which may be accessed through the SEDAR website at www.sedar.com.

The forward-looking statements and information contained in this MD&A are made as of the date hereof and Western does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

Additional data

Additional information relating to Western, including the Company's AIF, is available under the Company's profile on SEDAR at www.sedar.com.