Western ENERGY SERVICES CORP.

Q2 2023

Second Quarter 2023 Management's Discussion and Analysis Date: July 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 June 30, 2023 and for the three and six months ended June 30, 2023 and 2022. This MD&A is dated July 25, 2023. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Financial Highlights	**Three months ended June 30**			**Six months ended June 30**		
(stated in thousands, except share and per share amounts)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Revenue	42,954	30,594	40%	122,193	81,069	51%
Adjusted EBITDA[1]	4,140	2,498	66%	23,336	12,889	81%
Adjusted EBITDA as a percentage of revenue[1]	10%	8%	25%	19%	16%	19%
Cash flow from operating activities	25,373	8,724	191%	31,818	15,185	110%
Additions to property and equipment	6,705	13,956	(52%)	11,870	18,050	(34%)
Net income (loss)	(7,845)	35,431	(122%)	(3,424)	31,597	(111%)
-basic and diluted net income (loss) per share[2]	(0.23)	1.81	(113%)	(0.10)	2.40	(104%)
Weighted average number of shares[2]						
-basic	33,841,324	19,528,285	73%	33,841,324	13,151,761	157%
-diluted	33,841,324	19,529,728	73%	33,841,324	13,154,752	157%
Outstanding common shares as at period end[2]	33,841,324	33,838,852	-	33,841,324	33,838,852	-
Operating Highlights[3]						
Contract Drilling						
Canadian Operations						
Average active rig count	6.3	3.5	80%	10.3	7.8	32%
Operating Days	576	322	79%	1,859	1,403	33%
Revenue per Operating Day[1]	33,218	29,800	11%	33,258	27,172	22%
Drilling rig utilization	19%	10%	90%	30%	21%	43%
CAOEC industry average utilization[4]	25%	23%	9%	35%	31%	13%
Average meters drilled per well	8,367	5,027	66%	6,828	6,183	10%
Average Operating Days per well	16.1	12.3	31%	14.0	12.6	11%
United States Operations						
Average active rig count	2.9	2.7	7%	3.3	1.9	74%
Operating Days	267	250	7%	594	350	70%
Revenue per Operating Day (US$)[1]	31,896	23,945	33%	32,515	22,565	44%
Drilling rig utilization	37%	34%	9%	41%	24%	71%
Average meters drilled per well	3,272	3,964	(17%)	3,395	3,455	(2%)
Average Operating Days per well	11.9	12.7	(6%)	13.1	12.4	6%
Production Services						
Average active rig count	15.1	19.9	(24%)	21.6	25.5	(15%)
Service Hours	9,844	12,970	(24%)	28,097	33,143	(15%)
Revenue per Service Hour[1]	1,052	943	12%	1,039	902	15%
Service rig utilization	23%	32%	(28%)	33%	40%	(18%)

(1) See "Non-IFRS Measures and Ratios" on page 14 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 15 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)	June 30, 2023	December 31, 2022	June 30, 2022
Working capital[(1)]	19,576	21,923	11,763
Total assets	456,746	475,708	458,196
Long term debt - non current portion	118,109	126,527	121,776

(1) See "Non-IFRS Measures and Ratios" on page 14 of this MD&A.

Non-International Financial Reporting Standards ("Non-IFRS") measures and ratios, such as Adjusted EBITDA (as defined in this MD&A), Adjusted EBITDA as a percentage of revenue, revenue per Operating Day, revenue per Service Hour and Working Capital are defined on page 14 of this MD&A. Other defined terms and abbreviations for standard industry terms are included on page 15 of this MD&A.

Business Overview

Western is an energy services company that provides contract drilling services in Canada and in 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:

	As at June 30					
	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 Drilling Rig Classifications" on page 15 of this MD&A.
(2) Source: CAOEC Contractor Summary as at July 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	As at June 30	
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 July 25, 2023.
[2] Source: CAOEC Well Servicing Fleet List as at July 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 and six months ended June 30, 2023 and 2022.

	Three months ended June 30			Six months ended June 30		
	2023	2022	Change	2023	2022	Change
Average crude oil and natural gas prices(1)(2)						
Crude Oil						
West Texas Intermediate (US$/bbl)	73.80	108.41	(32%)	74.97	101.35	(26%)
Western Canadian Select (CDN$/bbl)	78.95	122.08	(35%)	74.04	111.56	(34%)
Natural Gas						
30 day Spot AECO (CDN$/mcf)	2.52	7.53	(67%)	2.94	6.24	(53%)
Average foreign exchange rates(2)						
US dollar to Canadian dollar	1.34	1.28	5%	1.35	1.27	6%

(1) See "Abbreviations" on page 15 of this MD&A.

(2) Source: Sproule June 30, 2023, Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average decreased by 32% and 26% respectively, for the three and six months ended June 30, 2023, compared to the same periods in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil decreased by 35% and 34% respectively, for the three and six months ended June 30, 2023, compared to the same periods in the prior year. In 2023, crude oil prices decreased due to global economic concerns including weakening demand for crude oil, 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 lower demand, as well as weather related factors including warmer winter seasons in both North America and Europe, as the 30-day spot AECO price decreased by 67% and 53% respectively, for the three and six months ended June 30, 2023, compared to the same periods of the prior year. Additionally, the US dollar to the Canadian dollar foreign exchange rate for the three and six months ended June 30, 2023, strengthened by 5% and 6% respectively, compared to the same periods of the prior year.

In the US, industry activity declined in the first half of 2023. As reported by Baker Hughes Company[3], the number of active drilling rigs in the US decreased by approximately 10% to 674 rigs as at June 30, 2023, as compared to 750 rigs at June 30, 2022 due to lower commodity prices. In Canada, there were 179 active rigs in the Western Canadian Sedimentary Basin ("WCSB") at June 30, 2023, compared to 177 active rigs as at June 30, 2022. The CAOEC[4] reported that for drilling in Canada, the total number of Operating Days in the WCSB for the three months ended June 30, 2023, were 1% higher than the same period in the prior year. For the six months ended June 30, 2023, the total number of Operating Days in the WCSB in Canada were 6% higher than the same period of the prior year. In addition to lower commodity prices, 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 June 30, 2023, include:

- Second quarter revenue increased by $12.4 million or 40%, to $43.0 million in 2023, as compared to $30.6 million in the second quarter of 2022. Contract drilling revenue totalled $30.6 million in the second quarter of 2023, an increase of $13.4 million or 78%, compared to $17.2 million in the second quarter of 2022. Production services revenue was $12.4 million for the three months ended June 30, 2023, a decrease of $1.1 million or 8%, as compared to $13.5 million in the same period of the prior year. In the second quarter of 2023, revenue was positively impacted by improved pricing in all divisions, rig upgrades, as well as higher activity in contract drilling, however activity was lower in production services due to lower commodity prices, compared to the second quarter of 2022 as described below:
    - In Canada, Operating Days of 576 days in the second quarter of 2023 were 254 days (or 79%) higher compared to 322 days in the second quarter of 2022, resulting in drilling rig utilization of 19% in the second quarter of 2023

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

[4] Source: CAOEC, monthly Contractor Summary.

compared to 10% in the same period of the prior year. This compares to a 1% increase in CAOEC industry Operating Days in the second quarter of 2023, compared to the second quarter of 2022. The CAOEC industry average utilization of 25%[5] for the second quarter of 2023 represented an increase of 200 bps compared to the CAOEC industry average utilization of 23% in the second quarter of 2022. Revenue per Operating Day averaged $33,218 in the second quarter of 2023, an increase of 11% 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 wages and fuel charges that are passed through to the customer;

- In the US, drilling rig utilization averaged 37% in the second quarter of 2023, compared to 34% in the second quarter of 2022, with Operating Days improving from 250 days in the second quarter of 2022 to 267 days in the second quarter of 2023. Average active industry rigs of 719[6] in the second quarter of 2023 were 1% higher compared to the second quarter of 2022. Revenue per Operating Day for the second quarter of 2023 averaged US$31,896, a 33% increase compared to US$23,945 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 23% in the second quarter of 2023 was lower than 32% in the same period of the prior year as industry activity decreased, mainly due to the completion of the Federal site rehabilitation program and customers reducing their capital spending due to inflationary factors and lower commodity prices. Revenue per Service Hour averaged $1,052 in the second quarter of 2023 and was 12% higher than the second quarter of 2022, due to improved pricing and inflationary pressures on operating costs, including higher 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 second quarter of 2023, as compared to $3.4 million in the second quarter of 2022, due to higher employee related costs along with inflationary costs and higher legal fees.
- The Company incurred a net loss of $7.8 million in the second quarter of 2023 ($0.23 net loss per basic common share) as compared to a net income of $35.4 million in the same period in 2022 ($1.81 net income per basic common share). The change can mainly be attributed to the $49.4 million gain on debt forgiveness in 2022 (see *"Segmented Information – Corporate"*), a $0.5 million increase in stock based compensation expense and a $0.3 million increase in depreciation expense due to property and equipment additions, which were partially offset by a $4.3 million decrease in income tax expense, a $1.6 million increase in Adjusted EBITDA, and a $1.0 million decrease in finance costs due to a lower total debt balance.
- Adjusted EBITDA of $4.1 million in the second quarter of 2023 was $1.6 million, or 66%, higher compared to $2.5 million in the second quarter of 2022. Adjusted EBITDA was higher due to improved contract drilling activity in Canada and the US, as well as higher pricing across all divisions, which was offset partially by inflationary cost increases and $0.9 million lower receipts of COVID-19 related government subsidies in 2023 compared to 2022.
- Second quarter additions to property and equipment of $6.7 million in 2023 compared to $14.0 million in the second quarter of 2022, consisting of $2.4 million of expansion capital related to the substantial completion of the Company's rig upgrade program and $4.3 million of maintenance capital.

Operational results for the six months ended June 30, 2023, include:

- During the six months ended June 30, 2023, the Company reduced its total debt by $8.3 million (or 7%), primarily through repayments of its Credit Facilities.
- 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 half 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 for the six months ended June 30, 2023.
- Revenue for the six months ended June 30, 2023, increased by $41.1 million or 51%, to $122.2 million as compared to $81.1 million for the six months ended June 30, 2022. Contract drilling revenue totalled $88.7 million for the six months ended June 30, 2023, an increase of $40.5 million or 84%, compared to $48.2 million in the same period of the prior year. Production services revenue was $33.8 million for the six months ended June 30, 2023, an increase of $0.7 million or 2%, as compared to $33.1 million in the same period of the prior year. In the first half of 2023, revenue was positively impacted by improved pricing in all divisions, rig upgrades, as well as higher activity in contract drilling, compared to the first half of 2022 as described below:

[5] Source: CAOEC, monthly Contractor Summary.

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

- In Canada, Operating Days of 1,859 days for the six months ended June 30, 2023 were 456 days (or 33%) higher, compared to 1,403 days for the six months ended June 30, 2022, resulting in drilling rig utilization of 30% for the first half of 2023 compared to 21% in the same period of the prior year. This compares to a 6% increase in CAOEC Operating Days for the six months ended June 30, 2023, compared to the same period in the prior year. The CAOEC industry average utilization of 35%[7] for the six months ended June 30, 2023 represented an increase of 400 bps compared to the CAOEC industry average utilization of 31% for the six months ended June 30, 2022. Revenue per Operating Day averaged $33,258 for the six months ended June 30, 2023, an increase of 22% 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 wages and fuel charges that are passed through to the customer;
- In the US, drilling rig utilization averaged 41% for the six months ended June 30, 2023, compared to 24% in the same period of 2022, with Operating Days improving from 350 days in the first half of 2022 to 594 days in the first half of 2023. Average active industry rigs of 740[8] in the first six months of 2023 were 10% higher compared to the first six months of 2022. Revenue per Operating Day for the six months ended June 30, 2023 averaged US$32,515, a 44% increase compared to US$22,565 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 33% for the six months ended June 30, 2023 was lower than 40% in the same period of the prior year as industry activity decreased, mainly due to the completion of the Federal site rehabilitation program and customers reducing their capital spending due to inflationary factors and lower commodity prices. Revenue per Service Hour averaged $1,039 for the six months ended June 30, 2023 and was 15% higher than the same period of the prior year, due to improved pricing and inflationary pressures on operating costs, including higher wages and fuel charges that are passed through to the customer.

- Administrative expenses increased by $1.6 million or 24%, to $8.4 million for the six months ended June 30, 2023, as compared to $6.8 million in the same period of 2022, due to higher employee related costs along with inflationary costs and higher legal fees.
- The Company generated a net loss of $3.4 million for the six months ended June 30, 2023 ($0.10 net loss per basic common share) as compared to net income of $31.6 million in the same period in 2022 ($2.40 net income per basic common share). The change can mainly be attributed to the $49.4 million gain on debt forgiveness in 2022 (see *"Segmented Information – Corporate"*), a $10.4 million increase in Adjusted EBITDA, a $2.7 million decrease in income tax expense and a $2.6 million decrease in finance costs due to the lower total debt balance, offset partially by a $1.3 million increase in stock based compensation expense and a $0.6 million increase in depreciation expense due to property and equipment additions.
- Adjusted EBITDA of $23.3 million for the six months ended June 30, 2023 was $10.4 million, or 81%, higher compared to $12.9 million in the same period 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 and $0.7 million lower COVID-19 related government subsidies received in 2023 compared to 2022.
- Year to date 2023 additions to property and equipment of $11.9 million compared to $18.1 million in the same period of 2022, consisting of $5.1 million of expansion capital related to the substantial completion of the Company's rig upgrade program and $6.8 million of maintenance capital.

Outlook

During the first half 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, concerns surrounding demand for crude oil due to weak global economic data, 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 and relocation of a portion of the Enbridge Line 5 pipeline, have contributed to continued uncertainty regarding takeaway capacity.

[7] Source: CAOEC, monthly Contractor Summary.

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

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, 13 of Western's drilling rigs and 20 of Western's well servicing rigs are operating.

As at June 30, 2023, Western had no amounts drawn on its $45.0 million senior secured credit facilities (the "Credit Facilities") and $10.6 million outstanding on its HSBC Bank Canada six-year committed term non-revolving facility with the participation of Business Development Canada (the "HSBC Facility"), which matures on December 31, 2026. As at June 30, 2023, Western had $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 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, has facilitated an increase in 2023 drilling license approvals, which should lead to higher demand for Montney and Duvernay class rigs. 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's upgraded drilling rigs have all worked for customers since the upgrades were completed. 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 by reducing debt levels, 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, which is expected to be operational by 2025. Western is an experienced deep horizontal driller in Canada, with an average well length of 6,828 meters drilled per well and an average of 14.0 operating days to drill per well for the six months ended June 30, 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 Second Quarter and Year to Date Ended June 30, 2023

Segmented Information

Contract Drilling

Financial Highlights	Three months ended June 30			Six months ended June 30		
(stated in thousands)	2023	2022	Change	2023	2022	Change
Revenue	30,586	17,227	78%	88,681	48,203	84%
Expenses						
Operating	25,819	15,351	68%	67,677	38,558	76%
Administrative	1,919	1,342	43%	3,760	2,861	31%
Adjusted EBITDA(1)	2,848	534	433%	17,244	6,784	154%
Adjusted EBITDA as a percentage of revenue(1)	9%	3%	200%	19%	14%	36%
Depreciation	7,602	7,268	5%	15,141	14,469	5%
Operating earnings (loss)	(4,754)	(6,734)	29%	2,103	(7,685)	127%
Stock based compensation	199	75	165%	423	75	464%
Income (loss) before income taxes	(4,953)	(6,809)	27%	1,680	(7,760)	122%

(1) See "Non-IFRS Measures and Ratios" on page 14 of this MD&A.

For the second quarter of 2023, contract drilling revenue totalled $30.6 million, a $13.4 million, or 78%, increase as compared to the same period in the prior year. For the six months ended June 30, 2023, contract drilling revenue totalled $88.7 million, a $40.5 million, or 84%, increase as compared to the six months ended June 30, 2022. Contract drilling revenue for both the three and six months ended June 30, 2023, improved due to higher pricing and increased 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 second quarter of 2023 totalled $1.9 million and were $0.6 million, or 43%, higher than the same period of the prior year. Similarly, for the six months ended June 30, 2023, administrative expenses totalled $3.8 million and were $0.9 million, or 31%, higher than the same period of the prior year. The increase for both the three and six months ended June 30, 2023 was mainly due to inflationary pressures on all employee related costs.

Contract drilling incurred a loss before income taxes of $5.0 million in the second quarter of 2023, compared to a loss before income taxes of $6.8 million in the same period of the prior year, an improvement of $1.8 million due to higher Adjusted EBITDA. For the six months ended June 30, 2023, contract drilling generated income before income taxes of $1.7 million, compared to a loss before income taxes of $7.8 million in the same period of the prior year, an increase of $9.5 million. The change for the six months ended June 30, 2023 can be attributed to a $10.4 million increase in Adjusted EBITDA which was partially offset by a $0.6 million increase in depreciation expense due to property and equipment additions.

Contract drilling Adjusted EBITDA of $2.8 million in the second quarter of 2023 was $2.3 million, or 433%, higher than $0.5 million in the same period of the prior year, mainly due to improved pricing and activity which was partially offset by inflationary pressures on operating costs. For the six months ended June 30, 2023, contract drilling Adjusted EBITDA of $17.2 million was $10.4 million, or 154%, higher than $6.8 million in the same period of the prior year, mainly due to improved pricing and activity, which was offset partially by $0.5 million lower COVID-19 related government subsidies received in 2023 compared to 2022. See "*Canadian Operations*" and "*United States Operations*" below.

Depreciation expense for the three and six months ended June 30, 2023 totalled $7.6 million and $15.1 million respectively, and reflects increases of $0.3 million and $0.6 million respectively, over the same periods of the prior year, mainly due to the substantial completion of the capital spending related to the rig upgrade program.

Canadian Operations

The price for WCS decreased by 34% in the first half of 2023 from an average of $111.56/bbl for the first half of 2022 to $74.04/bbl for the first six months of 2023. Despite the decrease in WCS, Operating Days of 576 days in the second quarter of 2023 were 79% higher than 322 days in the same period of the prior year, resulting in drilling rig utilization in Canada of 19%, compared to 10% in the same period of the prior year. Similarly, Operating Days for the six months ended June 30, 2023 of 1,859 days were 33% higher than 1,403 days in the same period of the prior year, resulting in drilling rig utilization in Canada of 30% in 2023, compared to 21% in 2022. Higher utilization for both the three and six months ended June 30, 2023, was due in part to the rig upgrade program and 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; however, utilization was negatively impacted by wildfires and subsequently wet weather across Western Canada in the second quarter of 2023, causing customers to shut-in operations in the short term, reducing the Company's Operating Days by approximately 8%.

Western's Canadian drilling rig upgrade program, which was initiated in 2022, has been a success and has generated a substantial portion of revenue in the first six months 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 for the six months ended June 30, 2023.

For the three and six months ended June 30, 2023, revenue per Operating Day improved by 11% and 22% averaging $33,218 and $33,258 respectively, compared to $29,800 and $27,172 respectively, in the same periods of the prior year, mainly due to upgrades made to the rigs and inflationary pressures on operating costs, including higher wages and fuel charges that are passed through to the customer.

United States Operations

WTI prices decreased from an average of US$101.35/bbl in the first six months of 2022 to US$74.97/bbl in the first six months of 2023. Despite the lower WTI prices, for the three months ended June 30, 2023, Operating Days in the US increased by 7% to 267 days compared to 250 days for the three months ended June 30, 2022, which resulted in drilling rig utilization of 37% in 2023, compared to 34% in 2022. Similarly, for the six months ended June 30, 2023, Operating Days in the US increased by 70% to 594 days compared to 350 days in the same period of the prior year.

For the three months ended June 30, 2023, revenue per Operating Day increased by 33% as compared to the same period of the prior year, from an average of US$23,945 in 2022 to an average of US$31,896 in 2023. Similarly, for the six months ended June 30, 2023, revenue per Operating Day increased by 44% as compared to the same period of the prior year, from an average of US$22,565 in 2022 to an average of US$32,515 in 2023. The increase for both the three and six months ended June 30, 2023 was due to improved spot market rates and changes in rig mix, as there was more activity with the Company's higher spec rigs which command higher day rates.

Production Services

Financial Highlights (stated in thousands)	Three months ended June 30 2023	 2022	 Change	Six months ended June 30 2023	 2022	 Change
Revenue	12,445	13,473	(8%)	33,752	33,059	2%
Expenses						
Operating	8,884	9,491	(6%)	23,063	23,052	-
Administrative	1,165	1,058	10%	2,375	2,020	18%
Adjusted EBITDA(1)	2,396	2,924	(18%)	8,314	7,987	4%
Adjusted EBITDA as a percentage of revenue(1)	19%	22%	(14%)	25%	24%	4%
Depreciation	2,202	2,302	(4%)	4,530	4,599	(2%)
Operating earnings (loss)	194	622	(69%)	3,784	3,388	12%
Stock based compensation	60	30	100%	135	43	214%
Income (loss) before income taxes	134	592	(77%)	3,649	3,345	9%

(1) See "Non-IFRS Measures and Ratios" on page 14 of this MD&A.

For the three months ended June 30, 2023, production services revenue decreased by $1.1 million, or 8%, to $12.4 million, compared to $13.5 million in the same period of 2022. The decrease for the three months ended June 30, 2023, compared to the same period of the prior year can be attributed to lower activity in the Company's well servicing division in the quarter due to lower industry activity resulting from reduced commodity prices, the end of the Federal site rehabilitation program which reduced funding for abandonment activities, and higher inflation costs for Western's customers. Additionally, wildfires had a negative impact on activity in the second quarter of 2023, reducing Service Hours by approximately 8% due to evacuation orders. For the six months ended June 30, 2023, production services revenue increased by $0.7 million, or 2%, to $33.8 million, compared to the six months ended June 30, 2022. The increase in production services revenue for the six months ended June 30, 2023 was due to higher hourly rates in well servicing as well as higher rentals revenue, as production services activity decreased as described previously.

For the three months ended June 30, 2023, Service Hours of 9,844 (23% utilization) were 24% lower than the same period of the prior year of 12,970 hours (32% utilization). Similarly, for the six months ended June 30, 2023, Service Hours of 28,097 (33% utilization) were 15% lower than the six months ended June 30, 2022 of 33,143 (40% utilization). For both the three and six months ended June 30, 2023, the decrease in Service Hours was due to lower activity as described previously. For the three and six months ended June 30, 2023, revenue per Service Hour averaged $1,052 and $1,039 respectively, and was 12% and 15% higher than the same periods of the prior year due to inflationary pressures on operating costs, including higher wages and fuel charges that are passed through to the customer.

For the three months ended June 30, 2023, administrative expenses totalled $1.2 million and were $0.1 million, or 10%, higher than the same period of the prior year of $1.1 million. For the six months ended June 30, 2023, administrative expenses totalled $2.4 million and were $0.4 million, or 18%, higher than the same period of the prior year of $2.0 million. The increase for both the three and six months ended June 30, 2023 was due to inflationary pressures on all employee related costs.

For the second quarter of 2023, production services earned income before income taxes of $0.1 million, compared to income before income taxes of $0.6 million in the same period of the prior year, mainly due to a $0.5 million decrease in Adjusted EBITDA. For the six months ended June 30, 2023, production services earned income before income taxes of $3.6 million, compared to income before income taxes of $3.3 million in the same period of 2022, mainly due to a $0.3 million increase in Adjusted EBITDA.

Adjusted EBITDA decreased for the three months ended June 30, 2023, by $0.5 million, or 18%, to $2.4 million, compared to $2.9 million in the same period of the prior year mainly due to lower well servicing activity during the quarter, offset partially by higher hourly rates and increased rentals activity. Adjusted EBITDA increased for the six months ended June 30, 2023, by $0.3 million, or 4%, to $8.3 million, compared to $8.0 million in the same period of 2022 due to higher hourly rates resulting from inflationary pressure on costs, such as higher wages and fuel surcharges that are passed through to the customer.

Depreciation expense for the three and six months ended June 30, 2023 was 4% and 2% lower respectively, than the same periods of the prior year, as additions to property and equipment were offset by certain assets being fully depreciated in the period.

Corporate

(stated in thousands)	Three months ended June 30 2023	2022	Change	Six months ended June 30 2023	2022	Change
Expenses						
Administrative	1,104	960	15%	2,222	1,882	18%
Depreciation	448	419	7%	877	840	4%
Operating loss	(1,552)	(1,379)	(13%)	(3,099)	(2,722)	(14%)
Stock based compensation	503	203	148%	1,080	222	386%
Finance costs	2,879	3,855	(25%)	5,921	8,482	(30%)
Gain on debt forgiveness	-	(49,357)	(100%)	-	(49,357)	(100%)
Other items	(78)	(169)	(54%)	(684)	(103)	564%
Income tax expense (recovery)	(1,830)	2,441	(175%)	(663)	2,022	133%

For the three months ended June 30, 2023, corporate administrative expenses totalled $1.1 million and were $0.1 million, or 15%, higher than the same period of the prior year. For the six months ended June 30, 2023, corporate administrative expenses totalled $2.2 million and were $0.3 million, or 18%, higher than the same period of the prior year. The increase for both the three and six months ended June 30, 2023 was mainly due to inflationary pressure on all employee related costs and higher professional fees.

Finance costs in the second quarter of 2023 of $2.9 million were $1.0 million lower than the same period of 2022, largely due to the Company's debt restructuring transaction completed in May 2022 (the "Restructuring Transaction") which reduced the Company's debt levels, and represented an effective interest rate of 8.7%, compared to 9.0% in the same period of the prior year. For the six months ended June 30, 2023, finance costs of $5.9 million were $2.6 million lower than the same period of 2022, mainly due lower total debt levels, and represented an effective interest rate of 8.7%, compared to 7.7% in the same period of the prior year. The higher effective interest rate for the six months ended June 30, 2023 was due to the Bank of Canada increasing its benchmark interest rate, which impacted the Company's floating interest rate debt.

Gain on debt forgiveness was nil for the three and six months ended June 30, 2023, compared to a gain on debt forgiveness of $49.4 million for the same periods of the prior year. As part of the Restructuring Transaction in 2022, the Company realized a one-time $49.4 million gain on debt forgiveness, which represented the difference between the value of debt forgiveness and the fair value of the share capital issued upon the conversion of $100.0 million of the principal amount owing to Alberta Investment Management Corporation, the lender under Western's Second Lien Facility, into 16,666,667 (2,000,000,000 pre-consolidation) common shares of the Company at a conversion price of $6.00 per common share.

Other items, which relate to foreign exchange gains and losses and the sale of assets, totalled a gain of $0.1 million and a gain of $0.7 million for the three and six months ended June 30, 2023, respectively, compared to a gain of $0.2 million and $0.1 million respectively, in the same periods of the prior year.

For the three months ended June 30, 2023, the consolidated income tax recovery totalled $1.8 million, representing an effective tax rate of 18.9%, as compared to an effective tax rate of 6.4% in the same period of 2022. For the six months ended June 30, 2023, the consolidated income tax recovery totalled $0.7 million, representing an effective tax rate of 16.2%, as compared to an effective tax rate of 6.0% in the same period of the prior year. The Company had no cash taxes payable for the three and six months ended June 30, 2023, and 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 June 30, 2023, Western had working capital of $19.6 million compared to working capital of $21.9 million as at December 31, 2022. Western's total debt at June 30, 2023 decreased by $8.3 million to $125.1 million, compared to $133.4 million at December 31, 2022, as Adjusted EBITDA and changes in non-cash working capital generated were offset by property and equipment additions for the six months ended June 30, 2023. During the six months ended June 30, 2023, the Company reduced its total debt by $8.3 million (or 7%), primarily through repayments of its Credit Facilities.

During the six months ended June 30, 2023, Western had the following changes to its cash balances, which resulted in a $3.7 million increase 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]	23,336
Change in non cash working capital	5,308
Proceeds on sale of property and equipment	1,139
Contributions from non controlling interest	489
Other items	351
Deduct:	
Additions to property and equipment	(11,870)
Repayment of Credit Facilities	(7,000)
Finance costs paid	(5,701)
Principal repayment of lease obligations	(1,177)
Principal repayment of HSBC Facility	(625)
Principal repayment of Second Lien debt	(540)
Ending balance, at June 30, 2023	**12,588**

(1) See "Non-IFRS Measures and Ratios" on page 14 of this MD&A.

The Credit Facilities, which have a maximum available amount of $45.0 million, mature on May 18, 2025. As at June 30, 2023, no amounts were drawn on the Credit Facilities and $10.6 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 and Ratios on page 14 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.sedarplus.ca.

The Credit Facilities are secured by the assets of Western and its subsidiary. A summary of the Company's financial covenants as at June 30, 2023 is as follows:

June 30, 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	1.15:1.0 or greater

(1) See covenant definitions in Note 7 of the June 30, 2023 condensed consolidated financial statements.

At June 30, 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)	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
Revenue	42,954	79,239	60,792	58,483	30,594	50,475	41,363	32,960
Adjusted EBITDA[(1)]	4,140	19,196	12,233	14,799	2,498	10,391	8,950	5,009
Cash flow from (used in) operating activities	25,373	6,445	6,502	6,854	8,724	6,461	8,236	(2,524)
Net income (loss)	(7,845)	4,421	(3,095)	818	35,431	(3,834)	(6,021)	(10,397)
per share - basic and diluted[(2)]	(0.23)	0.13	(0.09)	0.02	1.81	(0.57)	(0.90)	(1.56)
Total assets	456,746	483,532	475,708	475,651	458,196	457,226	456,003	460,872
Long term debt	118,109	129,853	126,527	127,639	121,776	233,321	226,884	228,263

(1) See "Non-IFRS Measures and Ratios" on page 14 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 two quarters of 2023 continued to be impacted by a significant decrease in commodity prices, the fear of a North American recession, concerns surrounding demand for crude oil due to weak global economic data, 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 June 30, 2023 are as follows:

(stated in thousands)	2023	2024	2025	2026	2027	Thereafter	Total
Trade payables and other current liabilities [(1)]	23,007	-	-	-	-	-	23,007
Operating commitments [(2)]	7,997	757	61	-	-	-	8,815
Second Lien Facility prinicpal	540	1,080	1,080	104,181	-	-	106,881
Second Lien Facility interest	4,511	9,027	8,936	7,348	-	-	29,822
HSBC Facility principal	625	1,250	1,250	7,500	-	-	10,625
HSBC Facility interest	481	870	752	637	-	-	2,740
Lease obligations [(3)]	1,654	2,624	1,007	638	103	-	6,026
PPP Loan	573	1,146	694	-	-	-	2,413
Total	**39,388**	**16,754**	**13,780**	**120,304**	**103**	-	**190,329**

(1) Trade payables and other current liabilities exclude interest accrued as at June 30, 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 principal and interest:

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

HSBC Facility principal 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.

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 the term of the loan 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

	July 25, 2023	June 30, 2023	December 31, 2022
Common shares outstanding	33,841,331	33,841,324	33,841,318
Stock options outstanding	3,102,795	3,083,011	3,109,490
Restricted share units outstanding - equity settled	1,697	1,704	1,731

Off Balance Sheet Arrangements

As at June 30, 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 operations. At June 30, 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 and six months ended June 30, 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. The Company's cash and cash equivalents, cash from operating activities, the Credit Facilities, the HSBC Facility, and the Second Lien Facility are expected to be greater than anticipated capital expenditures and the contractual maturities of the Company's financial liabilities. This expectation could be adversely affected by 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 June 30, 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 June 30, 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 June 30, 2023 and for the three and six months ended June 30, 2023 and 2022. There were no new accounting standards or amendments to existing standards adopted in the three and six months ended June 30, 2023 that are expected to have a material impact on the Company's condensed consolidated 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 and six months ended June 30, 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 audited consolidated financial statements for the year ended December 31, 2022. Actual results may differ from the estimates used in preparing the condensed 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.sedarplus.ca 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 and Adjusted EBITDA as a Percentage of Revenue

Adjusted 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 June 30		**Six months ended June 30**	
(stated in thousands)	**2023**	**2022**	**2023**	**2022**
Net income (loss)	**(7,845)**	**35,431**	**(3,424)**	**31,597**
Income tax expense (recovery)	(1,830)	2,441	(663)	2,022
Income (loss) before income taxes	**(9,675)**	**37,872**	**(4,087)**	**33,619**
Add (deduct):				
Gain on debt forgiveness	-	(49,357)	-	(49,357)
Depreciation	10,252	9,989	20,548	19,908
Stock based compensation	762	308	1,638	340
Finance costs	2,879	3,855	5,921	8,482
Other items	(78)	(169)	(684)	(103)
Adjusted EBITDA	**4,140**	**2,498**	**23,336**	**12,889**

Revenue per Operating Day

This non-IFRS measure 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 effect of inflation and commodity prices on customer spending; the success of Western's drilling rig upgrade program; the potential impact of the current conflict in Ukraine on crude oil prices; the potential impact of a North American recession; the potential impact of weak global economic data on the demand for crude oil; the potential impact of the collapse of financial institutions on crude oil prices; 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; challenges facing the energy service industry; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; expectations regarding future drilling activity; 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; estimates with respect to foreign exchange rates; factors affecting companies with credit risk; 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 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 US, 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.sedarplus.ca.

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.sedarplus.ca.