Western ENERGY SERVICES CORP.

Q3 2020

Third Quarter 2020 Management's Discussion and Analysis Date: October 26, 2020

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, 2019 and 2018, management's discussion and analysis ("MD&A") for the year ended December 31, 2019, as well as the condensed consolidated financial statements and notes as at and for the three and nine months ended September 30, 2020 and 2019. This MD&A is dated October 26, 2020. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Financial Highlights	**Three months ended September 30**			**Nine months ended September 30**		
(stated in thousands, except share and per share amounts)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Revenue	13,438	47,067	(71%)	76,005	150,570	(50%)
Adjusted EBITDA[1]	2,270	4,968	(54%)	14,668	18,654	(21%)
Adjusted EBITDA as a percentage of revenue	17%	11%	55%	19%	12%	58%
Cash flow from operating activities	(1,560)	(592)	164%	25,712	22,797	13%
Additions to property and equipment	150	1,143	(87%)	983	5,026	(80%)
Net loss	(10,486)	(11,575)	(9%)	(33,858)	(28,781)	18%
-basic net loss per share	(0.12)	(0.13)	(8%)	(0.37)	(0.31)	19%
-diluted net loss per share	(0.12)	(0.13)	(8%)	(0.37)	(0.31)	19%
Weighted average number of shares						
-basic	91,040,679	92,402,039	(1%)	91,283,205	92,338,987	(1%)
-diluted	91,040,679	92,402,039	(1%)	91,283,205	92,338,987	(1%)
Outstanding common shares as at period end	91,165,112	92,501,314	(1%)	91,165,112	92,501,314	(1%)
Operating Highlights[2]						
Contract Drilling						
Canadian Operations						
Average active rig count	2.6	12.1	(79%)	5.8	12.6	(54%)
Revenue per Billable Day	19,196	19,547	(2%)	21,727	21,188	3%
Revenue per Operating Day	21,723	21,571	1%	24,648	23,590	4%
Drilling rig utilization - Billable Days	5%	25%	(80%)	12%	26%	(54%)
Drilling rig utilization - Operating Days	5%	22%	(77%)	10%	23%	(57%)
CAODC industry average utilization - Operating Days[3]	9%	23%	(61%)	16%	22%	(27%)
United States Operations						
Average active rig count	0.2	4.7	(96%)	0.7	4.9	(86%)
Revenue per Billable Day (US$)	11,179 [4]	19,436	(42%)	19,864 [4]	20,151 [5]	(1%)
Revenue per Operating Day (US$)	20,224 [4]	22,926	(12%)	24,312 [4]	23,666 [5]	3%
Drilling rig utilization - Billable Days	2%	59%	(97%)	9%	62%	(85%)
Drilling rig utilization - Operating Days	1%	50%	(98%)	7%	53%	(87%)
Production Services						
Canadian Operations						
Average active rig count	11.8	20.9	(44%)	13.7	18.8	(27%)
Revenue per Service Hour	656	631	4%	696	654	6%
Service rig utilization	19%	33%	(42%)	22%	30%	(27%)

(1) See "Non-IFRS Measures" on page 17 of this MD&A.

(2) See "Defined Terms" on page 18 of this MD&A.

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

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

(5) Excludes shortfall commitment revenue from take or pay contracts of US$1.3 million for the nine months ended September 30, 2019.

Financial Position at (stated in thousands)	September 30, 2020	December 31, 2019	September 30, 2019
Working capital	5,603	7,031	13,762
Property and equipment	466,370	511,052	578,834
Total assets	488,470	550,537	617,943
Long term debt	226,719	228,274	232,722

Overall Performance and Results of Operations

Western is an oilfield service company focused on three core business lines: contract drilling, well servicing and oilfield rental equipment services. Western provides contract drilling services through its division, Horizon Drilling ("Horizon") in Canada, and its wholly owned subsidiary, Stoneham Drilling Corporation ("Stoneham") in the United States ("US"). Western provides well servicing and oilfield rental equipment services in Canada through its wholly owned subsidiary Western Production Services Corp. ("Western Production Services"). Western Production Services' division, Eagle Well Servicing ("Eagle") provides well servicing operations, while its division, Aero Rental Services ("Aero") provides oilfield rental equipment services. Stoneham's division, Western Oilfield Services, provides well servicing operations in the United States. Financial and operating results for Horizon and Stoneham are included in Western's contract drilling segment, while financial and operating results for Eagle, Aero, and Western Oilfield Services are included in Western's production services segment. Non-International Financial Reporting Standards ("Non-IFRS") measures, such as Adjusted EBITDA, are defined on page 17 of this MD&A. Abbreviations for standard industry terms are included on page 18 of this MD&A.

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

Crude oil and natural gas prices impact the cash flow of Western's customers, which in turn impacts the demand for Western's services. The following table summarizes average crude oil and natural gas prices, as well as average foreign exchange rates, for the three and nine months ended September 30, 2020 and 2019.

	Three months ended September 30			Nine months ended September 30		
	2020	2019	Change	2020	2019	Change
Average crude oil and natural gas prices(1)(2)						
Crude Oil						
West Texas Intermediate (US$/bbl)	40.93	56.47	(28%)	38.31	57.04	(33%)
Western Canadian Select (CDN$/bbl)	42.41	58.38	(27%)	32.98	60.26	(45%)
Natural Gas						
30 day Spot AECO (CDN$/mcf)	2.21	0.98	126%	2.05	1.53	34%
Average foreign exchange rates(2)						
US dollar to Canadian dollar	1.33	1.32	1%	1.35	1.33	2%

(1) See "Abbreviations" on page 18 of this MD&A.

(2) Source: Sproule September 30, 2020 Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average declined by 28% and 33% for the three and nine months ended September 30, 2020 respectively, compared to the same periods in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil decreased by 27% and 45% for the three and nine months ended September 30, 2020 respectively, compared to the same periods in the prior year. Crude oil prices in 2020 for both Canada and the US were impacted by the ongoing COVID-19 pandemic. Crude oil prices reached historical lows during the nine months ended September 30,

[1] Source: CAODC Contractor Summary as at October 26, 2020.

[2] Source: CAODC Fleet List as at October 26, 2020.

2020, which significantly impacted the demand for the Company's services. Natural gas prices in Canada strengthened in 2020, as the 30 day spot AECO price improved by 126% and 34% respectively, for the three and nine months ended September 30, 2020, compared to the same periods of the prior year. The US dollar to the Canadian dollar foreign exchange rate strengthened in both the three and nine months ended September 30, 2020, compared to the same periods of the prior year, which had a slightly positive effect on the cash flows of Western's Canadian customers, when selling US dollar denominated commodities.

In the United States, industry activity decreased in 2020. As reported by Baker Hughes Company[3], the number of active drilling rigs in the United States decreased by approximately 69% to 266 rigs at September 30, 2020, as compared to the same period in the prior year. The unprecedented low demand as a result of the COVID-19 pandemic has had a significant impact on industry activity in both the US and in Canada. Prior to the COVID-19 pandemic, there were also continued industry concerns over market access, increased regulation, and the prevailing customer preference to return cash to shareholders, or pay down debt, rather than grow production in Canada and the US. The number of active rigs in the Western Canadian Sedimentary Basin ("WCSB") decreased to historical lows in the second quarter of 2020 with only 16 active rigs in mid-June and improved to only 71 active rigs at September 30, 2020, compared to 147 active rigs at September 30, 2019. The CAODC[4] reported that for drilling in Canada, the total number of Operating Days in the WCSB decreased by approximately 34% and 65% respectively, for the three and nine months ended September 30, 2020 as compared to the same periods in the prior year.

Operational results for the three months ended September 30, 2020 include:

- Third quarter revenue decreased by $33.7 million (or 71%) to $13.4 million in 2020 as compared to $47.1 million in the third quarter of 2019. In the contract drilling segment, revenue totalled $5.4 million in the third quarter of 2020, a decrease of $27.4 million (or 83%) as compared to $32.8 million in the third quarter of 2019. In the production services segment, revenue totalled $8.1 million for the three months ended September 30, 2020, as compared to $14.3 million for the three months ended September 30, 2019, a decrease of $6.2 million (or 43%). The ongoing COVID-19 pandemic significantly impacted revenue in the contract drilling and production services segments as described below:
  - The COVID-19 pandemic had a significant impact on customer demand and drilling rig utilization – Operating Days ("Drilling Rig Utilization") in Canada averaged 5% in the third quarter of 2020, compared to a Drilling Rig Utilization average of 22% in the same period of the prior year. The decrease in activity in the third quarter of 2020 was mainly attributable to the significant decrease in demand, as a result of the COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing and cancelling their 2020 drilling programs. The CAODC industry average of 9%[5] for the third quarter of 2020 represented a decrease of 1,400 basis points ("bps") compared to the CAODC industry average of 23% in the third quarter of 2019, mainly due to lower demand as a result of the COVID-19 pandemic. Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, decreased to 5.3% for the third quarter of 2020, as compared to 8.8% in the same period of 2019. Revenue per Billable Day decreased by 2% in the third quarter of 2020, as compared to 2019, due to changes in the average rig mix;
  - In the United States, the demand destruction as a result of the COVID-19 pandemic had a significant impact on Drilling Rig Utilization which totalled 1%, as one rig worked part of the third quarter of 2020, compared to 50% Drilling Rig Utilization in the third quarter of 2019, reflecting a 98% decrease in Operating Days. Revenue per Billable Day for the third quarter of 2020 decreased by 42% to US$11,179, as compared to the same period of the prior year, as current market rates weakened in the period; and
  - In Canada, service rig utilization was 19% in the third quarter of 2020 compared to 33% in the same period of the prior year, mainly due to the demand destruction caused by the COVID-19 pandemic. Revenue per Service Hour in the third quarter of 2020 improved by 4%, as compared to the third quarter of 2019. Lower utilization led to well servicing revenue totalling $7.2 million in the third quarter of 2020, a decrease of $4.9 million (or 40%), as compared to the same period in the prior year.
- Administrative expenses decreased by $1.9 million (or 49%) to $2.0 million in the third quarter of 2020, as compared to $3.9 million in the third quarter of 2019, mainly due to lower employee related costs as a result of temporary

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

[4] Source: CAODC, monthly Contractor Summary.

[5] Source: CAODC, monthly Contractor Summary.

headcount reductions, as well as the Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada in the third quarter of 2020 due to the COVID-19 pandemic.

- The Company incurred a net loss of $10.5 million in the third quarter of 2020 ($0.12 per basic common share) as compared to a net loss of $11.6 million in the same period in 2019 ($0.13 per basic common share). The change can mainly be attributed to a $3.7 million decrease in depreciation expense due to certain assets being fully depreciated in the period, as well as the impact of asset impairments in previous quarters, a $0.2 million decrease in finance costs, a $0.1 million decrease in income tax recovery and a $0.1 million change in other items mainly related to foreign exchange gains, offset partially by a $2.7 million decrease in Adjusted EBITDA.
- Third quarter Adjusted EBITDA decreased by $2.7 million (or 54%) to $2.3 million in 2020 as compared to $5.0 million in the third quarter of 2020. The year over year change in Adjusted EBITDA is due to lower contract drilling activity in Canada and the United States, and lower oilfield rental equipment and well servicing activity in Canada, offset partially by the CEWS of $2.9 million and temporary headcount reductions.
- Third quarter 2020 additions to property and equipment of $0.2 million relates to maintenance capital. In total, additions to property and equipment in the third quarter of 2020 decreased by $0.9 million (or 87%) from the $1.1 million incurred in the third quarter of 2019.
- On August 7, 2020, the Company entered into a US$1.75 million promissory loan through the US paycheck protection program ("PPP"). The promissory loan has an interest rate of 1% per annum and matures on July 23, 2025. A portion of the PPP loan may be forgiven subject to certain conditions, if the proceeds are used for US payroll and other specific operating costs prior to January 1, 2021, as outlined by US Treasury guidelines. Management estimates that a portion of the promissory note will be forgiven if all conditions are met.
- Subsequent to September 30, 2020, on October 17, 2020 the Company's 7,099,547 outstanding warrants expired unexercised.

Operational results for the nine months ended September 30, 2020 include:

- Revenue for the nine months ended September 30, 2020 decreased by $74.6 million to $76.0 million (or 50%) in 2020 as compared to $150.6 million in the nine months ended September 30, 2019. In the contract drilling segment, revenue totalled $46.7 million for the nine months ended September 30, 2020, a decrease of $63.2 million (or 57%) as compared to $109.9 million in the same period of 2019 and included US$5.0 million of shortfall commitment revenue. In the production services segment, revenue totalled $29.5 million for the nine months ended September 30, 2020, as compared to $40.9 million for the nine months ended September 30, 2019, a decrease of $11.4 million (or 28%). While contract drilling day rates were steady in the United States and Canada, activity was lower in all divisions, which impacted revenue as described below:
    - Drilling Rig Utilization in Canada for the nine months ended September 30, 2020 decreased to 10% compared to an average of 23% for the nine months ended September 30, 2019. The decrease in activity in 2020 was mainly attributable to the significant decrease in crude oil prices in the latter part of the first quarter, as a result of the COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing and cancelling their 2020 drilling programs. Drilling Rig Utilization of 10% in 2020 represented a discount of 600 bps to the CAODC industry average of 16%[6], a decrease as compared to Drilling Rig Utilization of 23% in 2019, which was 100 bps higher than the industry average. The decrease in the Company's utilization as compared to the industry average in 2020 was due to the COVID-19 pandemic decreasing demand and customers cancelling their drilling programs. Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, decreased to 6.3% in the nine months ended September 30, 2020, as compared to 9.1% in the same period of 2019;
    - In the United States, three of the Company's eight drilling rigs worked during 2020, one of which operated on a term contract. Drilling Rig Utilization decreased to 7% in 2020, compared to 53% in 2019, reflecting an 86% decrease in Operating Days. Revenue per Billable Day for the nine months ended September 30, 2020 was consistent with the same period of the prior year, mainly due to changes in the average rig mix as the higher day rates on the Company's high specification AC 1500 HP class rigs in the Williston Basin in North Dakota were offset by the rigs working in the Permian Basin in Texas, which worked at lower average day rates, while operating at a significantly lower cost. Additionally, US$5.0 million of shortfall commitment revenue was recognized in the nine months ended September 30, 2020, compared to US$1.3 million in the same period of 2019; and

[6] Source: CAODC, monthly Contractor Summary.

- In Canada, service rig utilization was 22% for the nine months ended September 30, 2020 compared to 30% in the same period of the prior year. The decrease is due to continued market uncertainty including historic low commodity prices and demand destruction due to the COVID-19 pandemic in 2020. Revenue per Service Hour improved during the nine months ended September 30, 2020 by 6%, as compared to the same period in the prior year, due to changes in customer mix. Lower utilization, offset partially by higher pricing, led to well servicing revenue in the period decreasing by $7.5 million (or 22%) to $26.1 million, as compared to $33.6 million in the same period in the prior year.

- Administrative expenses decreased by $4.6 million (or 37%) to $7.9 million for the nine month period ended September 30, 2020, as compared to $12.5 million in the same period of the prior year, mainly due to lower employee related costs as a result of temporary headcount reductions, as well as the CEWS from the Government of Canada.
- As a result of continued market uncertainty, low commodity prices, unprecedented demand destruction due to the COVID-19 pandemic and the related outlook for current and future oilfield services activity and pricing, the Company completed an impairment test for each of its cash generating units ("CGU") as at March 31, 2020. Based on the results of the test, it was determined that property and equipment in the Company's contract drilling and oilfield rentals CGUs was impaired by $9.5 million and $2.0 million respectively in the first quarter of 2020. There was no impairment recognized in the Company's well servicing CGU in the first quarter of 2020. There was no impairment recognized during the second or third quarters of 2020.
- The Company incurred a net loss of $33.9 million for the nine months ended September 30, 2020 ($0.37 per basic common share) as compared to a net loss of $28.8 million in the same period in 2019 ($0.31 per basic common share). The change can mainly be attributed to the $11.5 million impairment loss, a $4.0 million decrease in Adjusted EBITDA, and a $3.2 million decrease in income tax recovery, offset partially by a $11.4 million decrease in depreciation expense due to certain assets being fully depreciated in the period as well as the impact of asset impairments in previous quarters, a $1.6 million change in other items mainly due to foreign exchange gains, and a $0.5 million decrease in finance costs.
- Adjusted EBITDA for the nine months ended September 30, 2020 decreased by $4.0 million (or 21%) to $14.7 million as compared to $18.7 million in the same period of the prior year. The year over year change in Adjusted EBITDA is due to lower contract drilling activity in Canada and the United States, and lower well servicing and oilfield rental equipment activity in Canada, offset partially by US$5.0 million of shortfall commitment revenue, lower administrative expenses and the CEWS of $4.5 million.
- Year to date additions to property and equipment in 2020 of $1.0 million included $0.2 million related to expansion capital and $0.8 million of maintenance capital. In total, additions to property and equipment for the nine months ended September 30, 2020 decreased by $4.0 million (or 80%) from the $5.0 million incurred in 2019.
- On January 6, 2020, the Company announced a normal course issuer bid (the "Bid"), which was filed with and accepted by the Toronto Stock Exchange. Pursuant to the Bid, Western may purchase for cancellation up to 5,200,000 common shares of the Company. The Bid commenced on January 14, 2020 and will terminate the earlier of: (i) January 13, 2021; and (ii) the date on which the maximum number of common shares are purchased pursuant to the Bid. Since the commencement of the Bid, for the nine months ended September 30, 2020, 1,584,000 common shares for a total cost of $0.5 million have been repurchased. Effective May 21, 2020, Western suspended further purchases under its share repurchase program. Western may recommence purchases under its program or otherwise modify its share purchase plans in the future at any time without prior notice.

Outlook

Currently, 11 of Western's drilling rigs and 21 of Western's well servicing rigs are operating. With the ten drilling rigs currently working in Canada, Western's Canadian market share has improved to approximately 12% of total drilling rigs working. One of Western's 57 drilling rigs is under a term take or pay contract, which is expected to expire in 2021. These contracts each typically generate between 250 and 350 Billable Days per year.

Due to decreased activity levels as a result of the unprecedented demand destruction and low commodity price environment associated with the COVID-19 pandemic, Western's capital budget for 2020 remains unchanged and is expected to total approximately $2 million, mainly related to maintenance capital. Western believes the 2020 capital budget provides a prudent use of cash resources to manage its balance sheet. Western will continue to manage its operations in a disciplined manner and make required adjustments to its capital program as customer demand changes.

The significant decrease in crude oil prices in 2020 resulting from the COVID-19 pandemic and international price war has caused increased uncertainty in global markets. Low crude oil demand associated with the COVID-19 pandemic continues to have a significant impact on Western's customers. The precise duration and extent of the adverse impacts of the current macroeconomic environment and the COVID-19 pandemic on Western's customers, operations, business and global economic activity remains highly uncertain at this time. Additionally, continued uncertainty surrounding takeaway capacity related to the timing of completion of the construction on the Trans Mountain pipeline expansion and the delays associated with the Keystone XL pipeline, as well as the in service date of the Enbridge Line 3 pipeline replacement, has resulted in 2020 capital budgets for Western's Canadian customers decreasing considerably year over year. As such, activity levels in Canada and the United States are expected to be significantly lower for the remainder of 2020, compared to 2019 levels. Controlling fixed costs, maintaining balance sheet flexibility and managing through the unprecedented market downturn are priorities for the Company, as prices and demand for Western's services remain below historical levels. Since the beginning of the year, Western temporarily reduced its salaried workforce, reduced cash compensation for the remaining employees, reduced planned capital expenditures, and continues to identify opportunities to further streamline its support structure. Going forward, Western's variable cost structure, and prudent capital budget, will aid in preserving its balance sheet.

As at September 30, 2020, Western had $11.0 million drawn on its $60.0 million credit facilities, consisting of its $50.0 million syndicated first lien credit facility (the "Revolving Facility") and its $10.0 million committed operating facility (the "Operating Facility" and together the "Credit Facilities"), which mature on December 17, 2021. Western currently has $209.6 million outstanding on its Second Lien Facility, which matures on January 31, 2023.

Oilfield service activity in Canada will be affected by the development of resource plays in Alberta and northeast British Columbia which will be impacted by pipeline construction, environmental regulations, and the level of investment in Canada. In the short term, the largest challenges facing the oilfield service industry are ongoing liquidity concerns as a result of the reduced customer spending caused by the demand destruction from the COVID-19 pandemic and limited take away capacity. In the medium term, Western's rig fleet is well positioned to benefit from the LNG Canada liquefied natural gas project now under construction in British Columbia. It remains Western's view that its modern drilling and well servicing rig fleets, reputation, and disciplined cash management provide a competitive advantage which will enable the Company to manage through the current challenging oilfield service environment.

Review of Third Quarter and Year to Date 2020 Results

Segmented Information

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

Contract Drilling

Financial Highlights	Three months ended September 30			Nine months ended September 30		
(stated in thousands)	2020	2019	Change	2020	2019	Change
Revenue	5,417	32,814	(83%)	46,727	109,870	(57%)
Expenses						
Operating	4,362	26,044	(83%)	32,279	84,337	(62%)
Administrative	960	2,056	(53%)	3,771	6,423	(41%)
Adjusted EBITDA[1]	95	4,714	(98%)	10,677	19,110	(44%)
Adjusted EBITDA as a percentage of revenue	2%	14%	(86%)	23%	17%	35%
Depreciation	8,458	11,666	(27%)	26,729	36,962	(28%)
Operating Loss	(8,363)	(6,952)	20%	(16,052)	(17,852)	(10%)
Stock based compensation	13	34	(62%)	73	115	(37%)
Loss before income taxes and impairment	(8,376)	(6,986)	20%	(16,125)	(17,967)	(10%)
Additions to property and equipment	62	724	(91%)	582	3,509	(83%)

Operating Highlights						
Canadian Operations						
Contract drilling rig fleet:						
Average active rig count[2]	2.6	12.1	(79%)	5.8	12.6	(54%)
End of period	49	49	-	49	49	-
Revenue per Billable Day[2]	19,196	19,547	(2%)	21,727	21,188	3%
Revenue per Operating Day[2]	21,723	21,571	1%	24,648	23,590	4%
Operating Days[2]	208	1,005	(79%)	1,389	3,080	(55%)
Number of meters drilled	74,019	357,947	(79%)	473,419	1,048,619	(55%)
Number of wells drilled	15	79	(81%)	109	251	(57%)
Average Operating Days per well	13.9	12.7	9%	12.7	12.3	3%
Drilling rig utilization - Billable Days[2]	5%	25%	(80%)	12%	26%	(54%)
Drilling rig utilization - Operating Days[2]	5%	22%	(77%)	10%	23%	(57%)
CAODC industry average utilization - Operating Days[2][3]	9%	23%	(61%)	16%	22%	(27%)
United States Operations						
Contract drilling rig fleet:						
Average active rig count[2]	0.2	4.7	(96%)	0.7	4.9	(86%)
End of period	8	8	-	8	8	-
Revenue per Billable Day (US$)[2]	11,179 [4]	19,436	(42%)	19,864 [4]	20,151 [5]	(1%)
Revenue per Operating Day (US$)[2]	20,224 [4]	22,926	(12%)	24,312 [4]	23,666 [5]	3%
Operating Days[2]	9	368	(98%)	158	1,129	(86%)
Number of meters drilled	2,425	91,411	(97%)	56,856	309,998	(82%)
Number of wells drilled	1	25	(96%)	13	74	(82%)
Average Operating Days per well	9.0	14.7	(39%)	12.2	15.3	(20%)
Drilling rig utilization - Billable Days[2]	2%	59%	(97%)	9%	62%	(85%)
Drilling rig utilization - Operating Days[2]	1%	50%	(98%)	7%	53%	(87%)

(1) See "Non-IFRS Measures" on page 17 of this MD&A.

(2) See "Defined Terms" on page 18 of this MD&A.

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

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

(5) Excludes shortfall commitment revenue from take or pay contracts of US$1.3 million for the nine months ended September 30, 2019.

During the third quarter of 2020, revenue in the contract drilling segment totalled $5.4 million, a $27.4 million decrease (or 83%), as compared to the same period of the prior year. For the nine months ended September 30, 2020, revenue in the contract drilling segment totaled $46.7 million, a $63.2 million (or 57%) decrease as compared to the same period in 2019 and included US$5.0 million of shortfall commitment revenue. Revenue for both the three and nine months ended September 30, 2020 was impacted by lower industry activity in Canada and the United States as customers reduced their drilling programs due to the low commodity prices, as a result of the demand destruction from the COVID-19 pandemic.

For the three and nine months ended September 30, 2020, administrative expenses totalled $1.0 million and $3.8 million respectively, and were 53% and 41% lower than the same periods of the prior year, mainly due to lower employee related costs as well as the receipt of the CEWS from the Government of Canada due to the COVID-19 pandemic.

Contract drilling incurred a loss before income taxes of $8.4 million in the third quarter of 2020, compared to a loss before income taxes of $7.0 million in the same period of the prior year. The change for the three months ended September 30, 2020 can be attributed to a $4.6 million decrease in Adjusted EBITDA, which was partially offset by a $3.2 million decrease in depreciation expense. For the nine month period ended September 30, 2020, contract drilling incurred a loss before income taxes and impairment of $16.1 million, compared to a loss before income taxes of $18.0 million in the same period of the prior year. The change for the nine months ended September 30, 2020 can be attributed to a $8.4 million decrease in Adjusted EBITDA, which was partially offset by a $10.3 million decrease in depreciation expense.

Adjusted EBITDA in the contract drilling segment for the three months ended September 30, 2020 decreased by $4.6 million to $0.1 million, as compared to $4.7 million for the same period in the prior year. The decrease for the third quarter of 2020 is mainly due to lower activity in Canada and the United States as a result of the demand destruction and low crude oil prices. For the nine months ended September 30, 2020, Adjusted EBITDA in the contract drilling segment decreased by $8.4 million, compared to the same period in 2019, mainly due to the significant decrease in activity, offset partially by a US$3.7 million increase in shortfall commitment revenue.

Depreciation expense for the three and nine months ended September 30, 2020 totalled $8.5 million and $26.7 million respectively, and reflects decreases of $3.2 million and $10.3 million over the same periods of the prior year, mainly due to certain assets being fully depreciated in the period as well as the impact of asset impairments in previous quarters.

Additions to property and equipment of $0.1 million and $0.6 million for the three and nine months ended September 30, 2020 in the contract drilling segment were significantly lower year over year as a result of reduced activity and consisted of maintenance capital.

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

Canadian Operations

The price for Canadian crude oil declined significantly during 2020, which resulted in activity in the WCSB decreasing as most customers reduced their drilling programs, largely due to economic factors such as the extremely low demand caused by the COVID-19 pandemic, coupled with the international price war in early 2020. As a result, during the three and nine months ended September 30, 2020, Operating Days decreased by 79% and 55% respectively, resulting in Drilling Rig Utilization in Canada of 5% and 10% respectively, as compared to 22% and 23% in the same periods of the prior year.

Drilling Rig Utilization in Canada of 5%, for the third quarter of 2020 reflects a 400 bps discount to the CAODC industry average of 9%[7], as compared to a 100 bps discount to the CAODC industry average of 23% in the third quarter of 2019. Drilling Rig Utilization in Canada of 10% for the nine months ended September 30, 2020 reflects a 600 bps discount to the CAODC average of 16%, compared to a 100 bps premium to the CAODC average of 22% for the nine months ended September 30, 2019. The decrease in the Company's premium to the CAODC average for both the three and nine months ended September 30, 2020 was due to Western's customers cancelling their drilling programs as a result of extremely low demand. Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, decreased to 5.3% and 6.3% for the three and nine months ended September 30, 2020 respectively, as compared to 8.8% and 9.1% in the same periods of the prior year.

For the third quarter of 2020, Revenue per Billable Day decreased by 2% and totalled $19,196, compared to $19,547 in the same period prior year. For the nine months ended September 30, 2020, Revenue per Billable Day in Canada increased by 3% and totalled $21,727, compared to $21,188 in the same period of the prior. The change for the three and nine months ended September 30, 2020 is due to changes in the average rig mix.

[7] Source: CAODC, monthly Contractor Summary.

United States Operations

WTI prices in 2020 were significantly lower than 2019 and drove activity lower in the United States. This resulted in Western's Operating Days in the United States decreasing for both the three and nine months ended September 30, 2020 by 359 days (or 98%) and 971 days (or 86%) respectively, which resulted in Drilling Rig Utilization of 1% and 7%, compared to 50% and 52% in the same periods of the prior year.

For the three months ended September 30, 2020, Revenue per Billable Day decreased by 42% and totalled US$11,179, as compared to $19,436 in the same period of the prior year as current market rates weakened in the period. For the nine months ended September 30, 2020, Revenue per Billable Day did not change significantly mainly due to changes in the average rig mix as the higher day rates on the Company's high specification AC 1500 HP class rigs in the Williston Basin in North Dakota, were offset by the rigs working in the Permian Basin in Texas, which worked at lower average day rates, while operating at a significantly lower cost.

Production Services

Financial Highlights	**Three months ended September 30**			**Nine months ended September 30**		
(stated in thousands)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Revenue	8,087	14,276	(43%)	29,523	40,877	(28%)
Expenses						
Operating	4,900	12,201	(60%)	21,363	35,242	(39%)
Administrative	485	1,202	(60%)	2,088	3,586	(42%)
Adjusted EBITDA[(1)]	2,702	873	210%	6,072	2,049	196%
Adjusted EBITDA as a percentage of revenue	33%	6%	450%	21%	5%	320%
Depreciation	2,866	3,309	(13%)	8,751	9,953	(12%)
Operating Loss	(164)	(2,436)	(93%)	(2,679)	(7,904)	(66%)
Stock based compensation	18	16	13%	73	59	24%
Loss before income taxes and impairment	(182)	(2,452)	(93%)	(2,752)	(7,963)	(65%)
Additions to property and equipment	79	419	(81%)	366	1,115	(67%)

Operating Highlights						
Canadian well servicing rig fleet:						
Average active rig count[(2)]	11.8	20.9	(44%)	13.7	18.8	(27%)
End of period	63	63	-	63	63	-
Revenue per Service Hour[(2)]	656	631	4%	696	654	6%
Service Hours[(2)]	10,893	19,244	(43%)	37,427	51,388	(27%)
Service rig utilization [(2)]	19%	33%	(42%)	22%	30%	(27%)

(1) See "Non-IFRS Measures" on page 17 of this MD&A.

(2) See "Defined Terms" on page 18 of this MD&A.

The Company's production services segment includes Eagle's well servicing fleet and Aero's oilfield rental equipment in Canada, as well as Western Oilfield Services' well servicing fleet in the United States. Revenue in the production services segment for the quarter ended September 30, 2020 decreased by $6.2 million (or 43%) to $8.1 million, compared to $14.3 million in the same period of the prior year. In the third quarter of 2020, Eagle's contribution to revenue in the production services segment decreased to $7.2 million compared to $12.1 million in the prior year, whereas Aero's contribution to revenue in the production services segment decreased to $0.6 million compared to $2.0 million in the same period of the prior year. For the nine months ended September 30, 2020, revenue in the production services segment decreased by $11.4 million (or 28%) to $29.5 million, compared to $40.9 million in 2019. For the nine months ended September 30, 2020, Eagle's contribution to revenue in the production services segment decreased to $26.1 million compared to $33.6 million in the same period of 2019, whereas Aero's contribution to revenue decreased to $2.6 million, compared to $7.1 million in the same period of 2019. The decrease in revenue for Eagle for both the three and nine months ended September 30, 2020, as compared to the same periods in the prior year, is due to continued market uncertainty from demand destruction. The decrease in Aero's revenue for both the three and nine months ended September 30, 2020, as compared to the same periods in the prior year, is mainly due to lower industry activity.

Eagle's Service Hours decreased by 43% to 10,893 hours (19% utilization) in the third quarter of 2020, as compared to 19,244 hours (33% utilization) in the same period of the prior year. Similarly, for the nine months ended September 30, 2020, Eagle's Service Hours decreased by 27% to 37,427 hours (22% utilization), as compared to 51,388 hours (30% utilization) in the nine months ended September 30, 2019. The decline in Eagle's Service Hours for both the three and nine

months ended September 30, 2020 is mainly due to the demand destruction from the COVID-19 pandemic. Revenue per Service Hour improved by 4% to $656 in the third quarter of 2020, compared to $631 in the third quarter of 2019, and improved by 6% to $696 for the nine months ended September 30, 2020, as compared to $654 in the nine months ended September 30, 2019, due to changes in customer mix.

During the three and nine months ended September 30, 2020, administrative expenses totalled $0.5 million and $2.1 million respectively, and were 60% and 42% lower than the same periods in the prior year, mainly due to lower employee related expenses as a result of a focus on cost management, as well as the CEWS from the Government of Canada received in the second and third quarters of 2020.

Production services incurred a loss before income taxes of $0.2 million in the third quarter of 2020, compared to a loss before income taxes of $2.5 million in the third quarter of 2019. The change can be attributed to a $1.8 million increase in Adjusted EBITDA and a $0.4 million decrease in depreciation expense. For the nine months ended September 30, 2020, production services incurred a loss before income taxes and impairment of $2.8 million, compared to a loss before income taxes and impairment of $8.0 million in the same period of the prior year. The change for the nine months ended September 30, 2020 can be attributed to a $4.1 million increase in Adjusted EBITDA and a $1.2 million decrease in depreciation expense.

Adjusted EBITDA increased in the third quarter of 2020 by $1.8 million to $2.7 million, compared to $0.9 million in the third quarter of 2019. Similarly, Adjusted EBITDA increased for the nine months ended September 30, 2020 by $4.1 million to $6.1 million, compared to $2.0 million in the same period of 2019. The higher Adjusted EBITDA for both the three and nine months ended September 30, 2020 was due to a focus on cost management in Eagle and the receipt of the CEWS.

Depreciation expense for the three and nine months ended September 30, 2020 was 13% and 12% lower respectively, than the same periods of the prior year, mainly due to certain assets being fully depreciated in the period, as well as the impact of asset impairments in previous quarters.

Additions to property and equipment in the production services segment totalled $0.1 million in the third quarter of 2020, as compared to $0.4 million in the same period of the prior year and related maintenance capital. Additions to property and equipment for the nine months ended September 30, 2020 totalled $0.4 million, as compared to $1.1 million for the nine months ended September 30, 2019 and included $0.1 million of expansion capital and $0.3 million of maintenance capital.

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

Corporate

	Three months ended September 30			Nine months ended September 30		
(stated in thousands)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Expenses						
Administrative	527	619	(15%)	2,081	2,505	(17%)
Depreciation	487	496	(2%)	1,474	1,404	5%
Operating Loss	(1,014)	(1,115)	(9%)	(3,555)	(3,909)	(9%)
Stock based compensation	53	95	(44%)	173	285	(39%)
Finance costs	4,430	4,676	(5%)	13,582	14,052	(3%)
Other items	(22)	(92)	(76%)	(2,048)	(409)	401%
Income tax recovery	(3,547)	(3,657)	(3%)	(11,781)	(14,986)	(21%)
Additions to property and equipment	9	-	100%	35	402	(91%)

Corporate administrative expenses for the three and nine months ended September 30, 2020 totaled $0.5 million and $2.1 million respectively, and were 15% and 17% lower than the same periods in the prior year mainly due to lower employee related expenses as a result of a focus on cost management, as well as the receipt of the CEWS from the Government of Canada implemented in the second quarter of 2020.

Finance costs in the third quarter of 2020 totalled $4.4 million, were lower than the same period in the prior year and represented an effective interest rate of 7.9%, as compared to 7.8% in 2019. For the nine months ended September 30, 2020, finance costs of $13.6 million were lower than the same period in 2019 and represented an effective interest rate of 7.8%, as compared to 7.9% in the nine months ended September 30, 2019.

Other items, which relate to foreign exchange gains realized on the sale of US denominated dollars, in addition to the sale of assets, total $0.1 million and $2.0 million for the three and nine months ended September 30, 2020 respectively. For the nine months ended September 30, 2020, other items were higher than the same period of the prior year due to the sale of US denominated dollars in the second quarter of 2020.

For the third quarter of 2020, income taxes on a consolidated basis totalled a recovery of $3.5 million, representing an effective tax rate of 25.3%, as compared to an effective tax rate of 24.0% in the third quarter of 2019. For the nine months ended September 30, 2020, income taxes on a consolidated basis totalled a recovery of $11.8 million, representing an effective tax rate of 25.8%, as compared to an effective tax rate of 34.2% in the same period of 2019. The decrease in the effective tax rate for the nine months ended September 30, 2020 is mainly due to the decrease in the Alberta corporate tax rate substantively enacted in the second quarter of 2019.

Liquidity and Capital Resources

The Company's liquidity needs in the short and long term can be sourced in several ways including: available cash balances, funds from operations, borrowing against the Credit Facilities, new debt instruments, equity issuances and proceeds from the sale of assets. As at September 30, 2020, Western had working capital of $5.6 million, a decrease of $1.4 million from December 31, 2019. Western's debt at September 30, 2020 decreased by $2.9 million (or 1%) to $232.9 million, as compared to $235.8 million at December 31, 2019, mainly due to the repayments of finance lease obligations, the Second Lien Facility, and the Credit Facilities, which were offset partially by the PPP loan.

During the nine months ended September 30, 2020, Western had the following changes to its cash balances, which resulted in a $2.9 million increase in cash and cash equivalents for the period:

Cash and cash equivalents (stated in thousands)	
Opening balance, at December 31, 2019	4,015
Add:	
Adjusted EBITDA[1]	14,668
Change in non cash working capital	7,088
Proceeds from PPP loan	2,314
Realized foreign exchange gain	1,729
Proceeds on sale of property and equipment	505
Deduct:	
Finance costs paid	(16,463)
Repayment of Credit Facilities	(1,297)
Repayment of other long term debt	(2,418)
Repayment of Second Lien debt	(1,613)
Additions to property and equipment	(983)
Shares repurchased under normal course issuer bid	(478)
Other items	(126)
Ending balance, at September 30, 2020	**6,941**

(1) See "Non-IFRS Measures" on page 17 of this MD&A.

Western's Credit Facilities, which have a limit of $60.0 million, mature on December 17, 2021. As at September 30, 2020, $11.0 million was drawn on the Company's Credit Facilities. Western's cash from operations and available Credit Facilities are expected to be sufficient to cover Western's financial obligations, including working capital requirements and the 2020 capital budget. Advances under the Credit Facilities are limited by the Company's borrowing base. The borrowing base is applicable when either (i) more than $40.0 million is drawn on the Credit Facilities or (ii) the net book value of Western's property and equipment is less than $300.0 million.

The borrowing base is determined as follows:

- 85% of eligible investment grade accounts receivable; plus
- 75% of eligible non-investment grade accounts receivable; plus
- 25% of the net book value of property and equipment to a maximum of $40.0 million.

As at September 30, 2020, the borrowing base calculation was not applicable as less than $40.0 million was drawn on the Company's Credit Facilities and the net book value of Western's property and equipment was greater than $300.0 million.

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 17 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.

The Credit Facilities are secured by the assets of Western and its subsidiaries. A summary of the Company's financial covenants as at September 30, 2020 is as follows:

September 30, 2020	Covenants [(1)]
Maximum Consolidated Senior Debt to Consolidated EBITDA Ratio	3.0:1.0 or less
Maximum Consolidated Debt to Consolidated Capitalization Ratio	0.6:1.0 or less
Minimum Current Ratio	1.15:1.0 or more

(1) See covenant definitions in Note 7 of the September 30, 2020 condensed consolidated financial statements.

At September 30, 2020, Western is in compliance with all covenants related to its Credit Facilities. The adoption of IFRS 16 in 2019 did not have an impact on the Company's Credit Facility covenants.

For the three months ended September 30, 2020, the Company had two customers comprising 12.5% and 11.3% respectively, of the Company's total revenue. For the nine months ended September 30, 2020 the Company had one customer who comprised 12.7% of the Company's total revenue. The trade receivable balance outstanding related to these customers was 8.9%, 7.1%, and nil respectively, of the Company's total trade and other receivables as at September 30, 2020. For the three and nine months ended September 30, 2019, the Company had no customers comprising 10.0% or more of the Company's total revenue. The Company's significant customers may change from period to period.

Summary of Quarterly Results

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

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

Three months ended (stated in thousands, except per share amounts)	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Revenue	13,438	10,802	51,765	45,838	47,067	37,728	65,775	63,133
Adjusted EBITDA[(1)]	2,270	4,036	8,361	5,584	4,968	2,438	11,248	7,916
Cash flow from operating activities	(1,560)	25,732	1,539	8,921	(592)	17,501	5,888	5,022
Net loss	(10,486)	(8,042)	(15,331)	(52,249)	(11,575)	(10,128)	(7,078)	(9,530)
per share - basic	(0.12)	(0.09)	(0.17)	(0.56)	(0.13)	(0.11)	(0.08)	(0.10)
per share - diluted	(0.12)	(0.09)	(0.17)	(0.56)	(0.13)	(0.11)	(0.08)	(0.10)
Total assets	488,470	494,493	542,131	550,537	617,943	626,890	663,117	667,295
Long term debt	226,719	214,255	239,118	228,274	232,722	223,363	238,590	222,258

(1) See "Non-IFRS Measures" on page 17 of this MD&A.

Revenue and Adjusted EBITDA were impacted by low commodity prices and market uncertainty throughout the last eight quarters. Market uncertainty continued throughout 2018 and the fourth quarter of 2018 was impacted by record high oil price differentials on Canadian crude oil. Mandated crude oil production cuts in Alberta in 2019 and uncertainty surrounding takeaway capacity throughout 2019 reduced overall activity in the industry. The unprecedented decrease in the price of crude oil in the first quarter of 2020, as well as the demand destruction from the COVID-19 pandemic into the second and third quarters of 2020 had a significant impact on industry activity and resulted in customers reducing or cancelling their drilling programs, which had a negative impact on Western's Revenue and Adjusted EBITDA.

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

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

Commitments

In the normal course of business the Company incurs commitments related to its contractual obligations. The expected maturities of the Company's contractual obligations as at September 30, 2020 are as follows:

(stated in thousands)	2020	2021	2022	2023	2024	Thereafter	Total
Second Lien Facility	538	2,150	2,150	205,325	-	-	210,163
Second Lien Facility interest	-	15,179	15,105	7,473	-	-	37,757
Revolving Facility	-	11,000	-	-	-	-	11,000
Trade payables and other current liabilities (1)	8,493	-	-	-	-	-	8,493
Operating commitments (2)	849	724	713	688	688	57	3,719
Other long term debt (3)	-	414	552	552	552	332	2,402
Lease obligations (4)	1,043	3,234	2,454	1,878	1,744	145	10,498
Total	10,923	32,701	20,974	215,916	2,984	534	284,032

(1) Trade payables and other current liabilities exclude the Company's interest accrued as at September 30, 2020 on the Second Lien Facility.

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

(3) Other long term debt includes the US$1.8 million PPP loan as described in Note 7 of the condensed consolidated financial statements.

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

Second Lien Facility and interest:

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

Revolving Facility:

The Company's Revolving Facility matures on December 17, 2021.

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.

Other long term debt:

The company has a US$1.8 million PPP loan obtained as part of the COVID-19 relief efforts in the US. The promissory loan has an interest rate of 1% per annum, will be repaid in equal monthly payments over its five year term and matures on July 23, 2025. A portion of the PPP loan may be forgiven if the proceeds are used to support US payroll and other specific operating costs as outlined by US Treasury guidelines.

Lease obligations:

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

There have been no material changes in the contractual obligations, other than in the normal course of business, subsequent to September 30, 2020.

Outstanding Share Data

	October 26, 2020	September 30, 2020	December 31, 2019
Common shares outstanding	91,165,112	91,165,112	92,501,314
Warrants (1)	-	7,099,546	7,099,546
Stock options outstanding	7,663,464	7,761,585	7,326,530
Restricted share units outstanding - equity settled	1,250,949	1,266,203	646,247

(1) Subsequent to September 30, 2020, the Company's warrants expired unexercised on October 17, 2020.

Off Balance Sheet Arrangements

As at September 30, 2020, Western had no off balance sheet arrangements in place.

Transactions with Related Parties

During the three and nine months ended September 30, 2020 and 2019, the Company had no transactions with related parties.

Financial Risk Management

Credit Risk

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

The Company's trade receivables are with customers in the crude oil and natural gas industry and are subject to industry credit risk. For the three and nine months ended September 30, 2020, the COVID-19 pandemic and related decrease in global demand for crude oil, coupled with the international price war have had a significant impact on commodity prices. These factors are expected to have an impact on companies and their related credit risk. The Company's practice is to manage credit risk by performing a thorough analysis of the credit worthiness of new customers before credit terms are offered.

Additionally, the Company continuously reviews individual customer trade receivables taking into consideration payment history and aging of the trade receivables to monitor collectability.

In accordance with IFRS 9, Financial Instruments, the Company reviews the recoverability of its trade and other receivables at each reporting period and its allowance for expected future credit losses. The Company records an allowance for doubtful accounts if an account is determined to be uncollectible. Provisions recorded by the Company are reviewed regularly to determine if any balances should be written off. The allowance for doubtful accounts could materially change as a result of fluctuations in the financial position of the Company's customers.

The Company completes a detailed review of its historical credit losses as part of its impairment assessment. The Company has had minimal historical impairment losses on its trade and other receivables, due in part to its credit management processes. As such, the Company assesses impairment losses on an individual customer account basis, rather than recognize a loss allowance on all outstanding trade and other receivables. Subsequent to September 30, 2020, the Company has collected approximately 26% of its outstanding trade and other receivables as at September 30, 2020.

Liquidity Risk

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

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

As Western's common shares trade on the Toronto Stock Exchange, pursuant to National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the President and Chief Executive Officer ("CEO") and Senior Vice President, Finance, Chief Financial Officer and Corporate Secretary ("CFO") of the Company have certified as at September 30, 2020 that they have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities, particularly during the periods in which the interim filings of the Company are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

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

During the three months ended September 30, 2020, there were no changes in internal control over financial reporting that materially affected, or are reasonably likely to materially affect, Western's internal control over financial reporting.

Critical Accounting Estimates and Recent Developments

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

The current economic environment and the ongoing pandemic will continue to impact the Company and the full extent of the impact is currently unknown, as it will depend on the duration of the COVID-19 pandemic and its resulting impact on international markets. The pandemic and reduction in global demand results in uncertainty for the Company, as well as estimates and assumptions used by management to prepare the condensed consolidated financial statements. Estimates and judgments made by management are subject to a higher degree of volatility in this uncertain time. A full list of critical accounting estimates is included in the Company's annual consolidated Financial Statements for the year ended December 31, 2019. However, the current market conditions have increased the uncertainty specifically relating to, but not limited to, assumptions used in calculating the recoverable amounts of the Company's CGUs in its impairment assessment, as well as increased risk of non-payment of accounts receivable. Actual results may differ from the estimates used in preparing the condensed consolidated financial statements.

As a result of the demand destruction and volatility in crude oil prices, the Company recognized an impairment of $9.5 million in its contract drilling CGU and $2.0 million in its oilfield rental equipment CGU in the first quarter of 2020, as further detailed in Note 6 of the condensed consolidated financial statements for the three and nine months ended September 30, 2020. There was no impairment recognized in the second and third quarters of 2020.

Government Grants:

In response to the COVID-19 pandemic and emergency measures, such as lockdowns, governments have established various programs to assist companies through this period of uncertainty. Management has determined that the Company qualifies for certain programs and recognizes such government grants when there is reasonable assurance the grant will be received. For the three and nine months ended September 30, 2020 the company has recorded $2.9 million and $4.5 million respectively, related to the CEWS from the Government of Canada. Under IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, the Company may recognize the CEWS as either other income or as a reduction of the expenses related to the grant. The wage subsidy relates to operating and administrative expenses and has been recognized as a reduction of these expenses by $2.4 million and $0.5 million respectively, for the three months ended September 30, 2020 and $3.4 million and $1.2 million respectively, for the nine months ended September 30, 2020 in the condensed consolidated statement of operations.

US Paycheck Protection Plan ("PPP"):

During the third quarter of 2020, the Company received US$1.8 million related to a PPP loan implemented by the US Government as part of their COVID-19 relief efforts. The PPP loan will be used to cover eligible US expenses, including payroll, utility costs, and other specific operating costs, in the period in which they are incurred. The Company expects that a portion of the PPP loan may be forgiven if all conditions of the loan are met. Interest on the PPP loan will accrue at 1% per annum. The PPP loan may be prepaid without penalties by the Company any time prior to maturity on July 23, 2025. No forgivable amounts have been recognized in the condensed consolidated statement of operations and comprehensive income (loss) for the three and nine month ended September 30, 2020.

Business Risks

For a comprehensive listing of the Company's business risks please see the most recent annual information form ("AIF") for the year ended December 31, 2019 as filed under the Company's SEDAR profile at www.sedar.com. Certain of the Company's primary business risks as at September 30, 2020 are as follows:

- The significant decrease in crude oil prices in the first half of 2020 resulting from the international price war has caused increased uncertainty in global markets. In addition, low crude oil demand associated with the COVID-19 pandemic is having a significant impact on Western's customers. The precise duration and extent of the adverse impacts of the current macroeconomic environment and the COVID-19 pandemic on Western's customers, operations, business and global economic activity remains highly uncertain at this time.
- The Company's business relies on the crude oil and natural gas exploration and production industry which is subject to a number of risks including general economic conditions, fluctuations in demand and supply of crude oil and natural gas production as a result of the COVID-19 pandemic, fluctuations in commodity prices, competition and increases in operating costs. In addition, changes may occur in government regulations,

including regulations relating to foreign acquisitions, prices, taxes, royalties, land tenure, allowable production, importing and exporting of crude oil and natural gas and environmental protection for the crude oil and natural gas industry as a whole. Risks impacting the crude oil and natural gas exploration and production industry, including the ability of crude oil and natural gas companies to accumulate capital or variations in their exploration and development budgets, may also affect the Company's business. The impact of these risks cannot be accurately predicted.

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

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

Non-IFRS Measures

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

Adjusted EBITDA

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

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

	Three months ended September 30		**Nine months ended September 30**	
(stated in thousands)	**2020**	**2019**	**2020**	**2019**
Net loss	**(10,486)**	**(11,575)**	**(33,858)**	**(28,781)**
Income tax recovery	(3,547)	(3,657)	(11,781)	(14,986)
Loss before income taxes	**(14,033)**	**(15,232)**	**(45,639)**	**(43,767)**
Add (deduct):				
Depreciation	11,811	15,471	36,954	48,319
Stock based compensation	84	145	319	459
Finance costs	4,430	4,676	13,582	14,052
Other items	(22)	(92)	(2,048)	(409)
Impairment of property and equipment	-	-	11,500	-
Adjusted EBITDA	**2,270**	**4,968**	**14,668**	**18,654**

Defined Terms:

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

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

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

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

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

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

Service Hours: Defined as well servicing hours completed.

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

Contract Drilling Rig Classifications:

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

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

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

Abbreviations:

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

Forward-Looking Statements and Information

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

In particular, forward-looking information in this MD&A includes, but is not limited to, statements relating to: commodity pricing; the future demand for the Company's services and equipment, in particular, in light of the low commodity price environment associated with the international price war and the COVID-19 pandemic; the pricing for the Company's

services and equipment; the terms of existing and future drilling contracts in Canada and the US and the revenue resulting therefrom (including the number of Billable Days typically generated from such contracts and expected expiration dates of such contracts); the Company's expansion and maintenance capital plans for 2020 and its ability to make changes thereto in response to customer demands; the Company's liquidity needs including the ability of current capital resources to cover Western's financial obligations, working capital requirements and the 2020 capital budget; the use, availability and sufficiency of the Company's Credit Facilities; pricing for Western's services and impact on Adjusted EBITDA; the Company's ability to maintain certain covenants under its Credit Facilities; the future declaration of dividends; the potential forgiveness of a portion of the Company's PPP loan; expectations as to the increase in crude oil transportation capacity through pipeline development; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; the future deployment or retirement of rigs and other existing assets; the potential impact of changes to laws, governmental and environmental regulations, and the price on carbon emissions; the expectation of continued investment in the Canadian crude oil and natural gas industry; the development of Alberta and British Columbia resource plays; maturities of the Company's contractual obligations with third parties; expectations relating to producer spending and activity levels for oilfield services; the Company's approach to management of its budget and operations; the Company's ability to maintain a competitive advantage to enable it to manage the current oilfield service environment; the Company's ability to find and maintain enough field crew members; the possibility of the Company recommencing purchases of common shares under the Bid; and forward-looking statements under the headings "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting", "Business Risks" and "Critical Accounting Estimates".

The material assumptions in making the forward-looking statements in this MD&A include, but are not limited to: demand levels and pricing for oilfield services; demand for crude oil and natural gas and the price and volatility of crude oil and natural gas; pressures on commodity pricing; the continued business relationships between the Company and its significant customers; the Company's competitive advantage; crude oil transport and pipeline approval and development; the Company's ability to finance its operations; the effectiveness of the Company's cost structure and capital budget; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business and the Company's competitive position therein; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); assumptions with respect to global economic conditions and the accuracy of the Company's market outlook expectations for 2020 and in the future; the Company's expectations regarding the impacts, direct and indirect, of the COVID-19 pandemic on our business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; the ability to maintain a satisfactory safety record; and general business, economic and market conditions.

Although Western believes that the expectations and assumptions on which such forward-looking statements and information are based on are reasonable, undue reliance should not be placed on the forward-looking statements and information as Western cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risk that the low commodity price environment will be sustained for an indefinite period, the impact of the COVID-19 pandemic and the resulting effects on economic conditions, restrictions imposed by public health authorities or governments, fiscal and monetary responses by governments and financial institutions and disruptions to global supply chains and other general industry, economic, market and business conditions. Readers are cautioned that the foregoing list of risks, uncertainties and assumptions are not exhaustive. Additional information on these and other risk factors that could affect Western's operations and financial results are discussed under the heading "Business Risks" herein and "Risk Factors" in Western's AIF for the year ended December 31, 2019 which may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements and information contained in this MD&A are made as of the date hereof and Western does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Additional data

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