Western
ENERGY SERVICES CORP.
Q1
2021

First Quarter 2021 Management's Discussion and Analysis

Date: April 26, 2021

The following discussion of the financial condition, changes in financial condition and results of operations of Western Energy Services Corp. (the "Company" or "Western") should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the years ended December 31, 2020 and 2019, management's discussion and analysis ("MD&A") for the year ended December 31, 2020, as well as the condensed consolidated financial statements and notes as at and for the three months ended March 31, 2021 and 2020. This MD&A is dated April 26, 2021. All amounts are denominated in Canadian dollars (CDN$) unless otherwise identified.

Financial Highlights	**Three months ended March 31**		
(stated in thousands, except share and per share amounts)	**2021**	**2020**	**Change**
Revenue	36,969	51,765	(29%)
Adjusted EBITDA[1]	6,891	8,361	(18%)
Adjusted EBITDA as a percentage of revenue	19%	16%	19%
Cash flow from operating activities	1,509	1,539	(2%)
Additions to property and equipment	873	575	52%
Net loss	(6,454)	(15,331)	(58%)
-basic net loss per share	(0.07)	(0.17)	(59%)
-diluted net loss per share	(0.07)	(0.17)	(59%)
Weighted average number of shares			
-basic	91,184,713	91,892,784	(1%)
-diluted	91,184,713	91,892,784	(1%)
Outstanding common shares as at period end	91,200,072	90,918,814	-
Operating Highlights[2]			
Contract Drilling			
Canadian Operations			
Average active rig count	11.7	14.7	(20%)
Revenue per Billable Day	18,553	22,091	(16%)
Revenue per Operating Day	20,561	25,050	(18%)
Drilling rig utilization - Billable Days	24%	30%	(20%)
Drilling rig utilization - Operating Days	22%	27%	(19%)
CAODC industry average utilization - Operating Days[3]	27%	35%	(23%)
United States Operations			
Average active rig count	0.5	1.8	(72%)
Revenue per Billable Day (US$)	12,142	20,056 [4]	(39%)
Revenue per Operating Day (US$)	14,574	22,945 [4]	(36%)
Drilling rig utilization - Billable Days	6%	22%	(73%)
Drilling rig utilization - Operating Days	5%	20%	(75%)
Production Services			
Canadian Operations			
Average active rig count	23.0	23.6	(3%)
Revenue per Service Hour	727	727	-
Service rig utilization	37%	38%	(3%)

[1] See "Non-IFRS Measures" on page 15 of this MD&A.

[2] See "Defined Terms" on page 15 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$0.2 million for the three months ended March 31, 2020.

Financial Position at (stated in thousands)	March 31, 2021	December 31, 2020	March 31, 2020
Working capital	13,427	15,997	20,918
Property and equipment	440,836	452,040	496,974
Total assets	478,527	495,625	542,131
Long term debt	233,418	237,633	239,118

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, 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 15 of this MD&A. Abbreviations for standard industry terms are included on page 16 of this MD&A.

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

Crude oil and natural gas prices impact the cash flow of Western's customers, which in turn impacts the demand for Western's services. The following table summarizes average crude oil and natural gas prices, as well as average foreign exchange rates, for the three months ended March 31, 2021 and 2020.

	Three months ended March 31		
	2021	2020	Change
Average crude oil and natural gas prices(1)(2)			
Crude Oil			
West Texas Intermediate (US$/bbl)	57.84	46.17	25%
Western Canadian Select (CDN$/bbl)	57.43	34.10	68%
Natural Gas			
30 day Spot AECO (CDN$/mcf)	3.05	1.98	54%
Average foreign exchange rates(2)			
US dollar to Canadian dollar	1.27	1.34	(5%)

(1) See "Abbreviations" on page 16 of this MD&A.

(2) Source: Sproule March 31, 2021 Price Forecast, Historical Prices.

West Texas Intermediate ("WTI") on average improved by 25% for the three months ended March 31, 2021 compared to the same period in the prior year. Similarly, pricing on Western Canadian Select ("WCS") crude oil increased by 68% for the three months ended March 31, 2021, compared to the same period in the prior year. While crude oil prices in 2021 for both Canada and the US continued to be impacted by the ongoing COVID-19 pandemic, pricing has improved as demand for crude

[1] Source: CAODC Contractor Summary as at April 26, 2021.

[2] Source: CAODC Fleet List as at April 26, 2021.

oil begins to recover as vaccine rollouts continue worldwide and OPEC continued to maintain production cuts. Natural gas prices in Canada also strengthened in 2021, as the 30 day spot AECO price improved by 54% for the three months ended March 31, 2021 compared to the same period of the prior year. Offsetting this increase in pricing, the US dollar to the Canadian dollar foreign exchange rate weakened in the first quarter of 2021 compared to the same period of the prior year, which impacted the cash flows of Western's Canadian customers, when selling US dollar denominated commodities.

In the United States, industry activity continued to be low in 2021. As reported by Baker Hughes Company[3], the number of active drilling rigs in the United States decreased by approximately 35% to 430 rigs at March 31, 2021, as compared to the same period in the prior year. Low demand as a result of the ongoing COVID-19 pandemic continues to have an impact on industry activity in both the US and in Canada in 2021. 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 through the drill bit in Canada and the US. The number of active rigs in the Western Canadian Sedimentary Basin ("WCSB") improved to 79 active rigs at March 31, 2021, compared to 49 active rigs at March 31, 2020. The CAODC[4] reported that for drilling in Canada, the total number of Operating Days in the WCSB decreased by approximately 29% in the first quarter of 2021 as compared to the first quarter of 2020.

Operational results for the three months ended March 31, 2021 include:

- First quarter revenue decreased by $14.8 million (or 29%) to $37.0 million in 2021 as compared to $51.8 million in the first quarter of 2020. In the contract drilling segment, revenue totalled $20.3 million in the first quarter of 2021, a decrease of $13.9 million (or 41%) as compared to $34.2 million in the first quarter of 2020. In the production services segment, revenue totalled $16.9 million for the three months ended March 31, 2021, as compared to $17.7 million in the same period of the prior year, a decrease of $0.8 million (or 5%). 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 22% in the first quarter of 2021, compared to a Drilling Rig Utilization average of 27% in the same period of the prior year. The decrease in activity in the first quarter of 2021 was mainly attributable to the decrease in demand, as a result of the COVID-19 pandemic, which resulted in heightened market uncertainty and customers reducing their 2021 drilling programs. The CAODC industry average of 27%[5] for the first quarter of 2021 represented a decrease of 800 basis points ("bps") compared to the CAODC industry average of 35% in the first quarter of 2020, mainly due to lower demand as a result of the COVID-19 pandemic. However, Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, improved to 8.2% for the first quarter of 2021, as compared to 7.2% in the same period of 2020. Revenue per Billable Day decreased by 16% in the first quarter of 2021, as compared to the same period of the prior year, as current market rates weakened in the period;
    - 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 5%, as one rig worked in the first quarter of 2021, compared to 20% Drilling Rig Utilization in the first quarter of 2020, reflecting a 75% decrease in Operating Days. Revenue per Billable Day for the first quarter of 2021 decreased by 39% to US$12,142, as compared to the same period of the prior year, as current spot market rates weakened in the period; and
    - In Canada, service rig utilization of 37% in the first quarter of 2021 was consistent with the same period of the prior year. Lower production and completion activity was offset by increased abandonment work as a result of government incentives. Revenue per Service Hour of $727 in the first quarter of 2021 was also consistent with the first quarter of 2020. Lower utilization led to well servicing revenue totalling $15.0 million in the first quarter of 2021, a decrease of $0.6 million (or 4%), as compared to the same period in the prior year.
- Administrative expenses decreased by $0.6 million (or 17%) to $3.2 million in the first quarter of 2021, as compared to $3.8 million in the first quarter of 2020, mainly due to lower employee related costs as a result of headcount reductions in 2020, a focus on cost management, as well as the Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada due to the COVID-19 pandemic.
- The Company incurred a net loss of $6.4 million in the first quarter of 2021 ($0.07 per basic common share) as compared to a net loss of $15.3 million in the same period in 2020 ($0.17 per basic common share). The change can mainly be attributed to the 2020 impairment of $11.5 million and a $2.1 million decrease in depreciation expense due

[3] Source: Baker Hughes Company, 2021 Rig Count monthly press releases.

[4] Source: CAODC, monthly Contractor Summary.

[5] Source: CAODC, monthly Contractor Summary.

to certain assets being fully depreciated in the period, as well as the impact to depreciation of asset impairments in previous quarters, offset partially by a $3.1 million decrease in income tax recovery and the $1.5 million decrease in Adjusted EBITDA.

- First quarter Adjusted EBITDA in 2021 was lower than the same period of the prior year and totalled $6.9 million, compared to $8.4 million in the first quarter of 2020. Adjusted EBITDA was lower due to reduced contract drilling activity in Canada and the United States, which was offset partially by improved well servicing and oilfield rental equipment margins in Canada, the CEWS of $3.2 million and headcount reductions in 2020.
- First quarter 2021 additions to property and equipment of $0.9 million compared to $0.6 million incurred in the first quarter of 2020 and consist of maintenance capital.

Outlook

Currently, 5 of Western's drilling rigs and 13 of Western's well servicing rigs are operating. 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 demand destruction in 2020 which continued into 2021 associated with the COVID-19 pandemic, Western's capital budget for 2021 is approximately $6 million, which is expected to be comprised of maintenance capital, of which $4 million is for the contract drilling segment and $2 million is for the production services segment. Western believes the 2021 capital budget provides a prudent use of cash resources to manage its balance sheet. Western will continue to manage its operations in a disciplined manner and make required adjustments to its capital program as customer demand changes.

While crude oil prices reached historical lows in 2020 due to the demand destruction caused by the COVID-19 pandemic, in the first quarter of 2021, crude oil prices began to recover. However, uncertainty now exists concerning the timing of COVID-19 vaccine distribution and the potential impact of COVID-19 variants on possible future government restrictions, both of which have an impact on demand in the near term. The precise duration and extent of the adverse impacts of the current macroeconomic environment and the COVID-19 pandemic on Western's customers, operations, business and global economic activity remains highly uncertain at this time. Additionally, the January 2021 executive order by the President of the United States cancelling the permit that had allowed construction of the Keystone XL pipeline, the uncertain timing of completion of construction on the Trans Mountain pipeline expansion, as well as uncertainty regarding the in service date of the Enbridge Line 3 pipeline replacement and the threatened shutdown of Enbridge Line 5 in May 2021, have all resulted in continued uncertainty regarding takeaway capacity. However, activity levels in Canada and the United States in 2021 are expected to be marginally higher than 2020 levels. Controlling fixed costs, maintaining balance sheet flexibility and managing through the unprecedented market downturn are priorities for the Company, as prices and demand for Western's services remain below historical levels. Western continues to identify further opportunities to streamline its support structure and implement additional cost control measures. Going forward, Western expects that its variable cost structure, and prudent capital budget, will aid in preserving its balance sheet.

As at March 31, 2021, Western had $8.0 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 July 1, 2022 and $12.5 million drawn on its HSBC Bank Canada ("HSBC") six-year committed term non-revolving facility with the participation of Business Development Canada ("BDC" and together the "HSBC Facility"), which matures December 31, 2026. Western currently has $208.6 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 due to reduced customer spending caused by the demand destruction from the COVID-19 pandemic and limited take away capacity. In the medium term, Western's rig fleet is well positioned to benefit from the LNG Canada liquefied natural gas project now under construction in British Columbia. It remains Western's view that its modern drilling and well servicing rig fleets, reputation, and disciplined cash management provide a competitive advantage which will enable the Company to manage through the current challenging oilfield service environment.

Review of the First Quarter 2021 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 March 31**		
(stated in thousands)	**2021**	**2020**	**Change**
Revenue	20,296	34,216	(41%)
Expenses			
Operating	15,225	26,099	(42%)
Administrative	1,222	1,775	(31%)
Adjusted EBITDA[1]	3,849	6,342	(39%)
Adjusted EBITDA as a percentage of revenue	19%	19%	-
Depreciation	7,808	9,395	(17%)
Operating loss	(3,959)	(3,053)	30%
Stock based compensation	21	31	(32%)
Loss before income taxes and impairment	(3,980)	(3,084)	29%
Additions to property and equipment	720	378	90%

Operating Highlights			
Canadian Operations			
Contract drilling rig fleet:			
Average active rig count[2]	11.7	14.7	(20%)
End of period	49	49	-
Revenue per Billable Day[2]	18,553	22,091	(16%)
Revenue per Operating Day[2]	20,561	25,050	(18%)
Operating Days[2]	953	1,179	(19%)
Number of meters drilled	435,155	399,150	9%
Number of wells drilled	77	94	(18%)
Average Operating Days per well	12.4	12.5	(1%)
Drilling rig utilization - Billable Days[2]	24%	30%	(20%)
Drilling rig utilization - Operating Days[2]	22%	27%	(19%)
CAODC industry average utilization - Operating Days[2][3]	27%	35%	(23%)
United States Operations			
Contract drilling rig fleet:			
Average active rig count[2]	0.5	1.8	(72%)
End of period	8	8	-
Revenue per Billable Day (US$)[2]	12,142	20,056 [4]	(39%)
Revenue per Operating Day (US$)[2]	14,574	22,945 [4]	(36%)
Operating Days[2]	38	142	(73%)
Number of meters drilled	7,996	51,364	(84%)
Number of wells drilled	3	11	(73%)
Average Operating Days per well	12.7	12.9	(2%)
Drilling rig utilization - Billable Days[2]	6%	22%	(73%)
Drilling rig utilization - Operating Days[2]	5%	20%	(75%)

[1] See "Non-IFRS Measures" on page 15 of this MD&A.

[2] See "Defined Terms" on page 15 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$0.2 million for the three months ended March 31, 2020.

For the first quarter of 2021, contract drilling revenue totalled $20.3 million, a $13.9 million (or 41%) decrease as compared to the same period in prior year. Revenue in 2021 was impacted by lower industry activity in Canada and the United States as customers reduced their drilling programs due to the demand destruction from the COVID-19 pandemic.

For the three months ended March 31, 2021, administrative expenses totalled $1.2 million and were $0.6 million (or 31%) lower than the same period 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 $4.0 million in the first quarter of 2021, compared to a loss before income taxes and impairment of $3.1 million in the same period of the prior year. The change for 2021 can be attributed to a $2.4 million decrease in Adjusted EBITDA, which was partially offset by a $1.6 million decrease in depreciation expense.

Contract drilling Adjusted EBITDA of $3.9 million in the first quarter of 2021 decreased by $2.4 million, compared to $6.3 million in the same period of the prior year, due to the decrease in both activity and pricing, offset partially by the CEWS.

Depreciation expense for the quarter ended March 31, 2021 totalled $7.8 million and reflects a decrease of $1.6 million over the prior year, mainly due to certain assets being fully depreciated in the period as well as the impact of asset impairments in previous quarters.

Additions to property and equipment of $0.7 million in the first quarter of 2021 compared to $0.4 million in the first quarter of 2020 and consisted of maintenance capital.

Canadian Operations

While the price for Canadian crude oil improved during the first quarter of 2021, crude oil demand continued to be impacted by the ongoing COVID-19 pandemic. As a result, Operating Days in the first quarter of 2021 decreased by 19% resulting in Drilling Rig Utilization in Canada of 22%, as compared 27% in the same period of the prior year.

Drilling Rig Utilization in Canada of 22% in the first quarter of 2021 reflects a 500 bps discount to the CAODC industry average of 27%[6], as compared to a 900 bps discount to the CAODC industry average of 35% in the first quarter of 2020. The improvement in the Company's Drilling Rig Utilization compared to the CAODC average for the three months ended March 31, 2021, compared to the same period in the prior year was due to increased marketing efforts during the quarter. Western's market share, represented by the Company's Operating Days as a percentage of the CAODC's total Operating Days in the WCSB, improved to 8.2% for the first quarter of 2021 as compared to 7.2% in the same period of the prior year.

For the three months ended March 31, 2021, Revenue per Billable Day decreased by 16% to $18,553, compared to $22,091 in the same period of the prior year, mainly due to lower industry activity and the resulting low spot market rates.

United States Operations

WTI prices in the first quarter of 2021 improved from the first quarter of 2020, however activity remained low in the United States due to low demand resulting from the COVID-19 pandemic. This resulted in Western's first quarter 2021 Operating Days in the United States decreasing by 104 days (or 73%) as compared to the same period of the prior year, which resulted in Drilling Rig Utilization of 5% compared to 20% in the first quarter of 2020.

For the three months ended March 31, 2021, Revenue per Billable Day decreased by 39% due to lower spot market rates, and limited activity during the quarter.

[6] Source: CAODC, monthly Contractor Summary.

Production Services

Financial Highlights **(stated in thousands)**	**2021**	**2020**	**Three months ended March 31** **Change**
Revenue	16,878	17,682	(5%)
Expenses			
Operating	11,905	13,624	(13%)
Administrative	714	1,107	(36%)
Adjusted EBITDA[1]	4,259	2,951	44%
Adjusted EBITDA as a percentage of revenue	25%	17%	47%
Depreciation	2,560	3,005	(15%)
Operating income (loss)	1,699	(54)	3,246%
Stock based compensation	18	16	13%
Income (loss) before income taxes and impairment	1,681	(70)	2,501%
Additions to property and equipment	153	169	(9%)

Operating Highlights			
Canadian well servicing rig fleet:			
Average active rig count[2]	23.0	23.6	(3%)
End of period	63	63	-
Revenue per Service Hour[2]	727	727	-
Service Hours[2]	20,702	21,491	(4%)
Service rig utilization [2]	37%	38%	(3%)

[1] See "Non-IFRS Measures" on page 15 of this MD&A.

[2] See "Defined Terms" on page 15 of this MD&A.

Production services includes Eagle's well servicing fleet and Aero's oilfield rental equipment in Canada, as well as Western Oilfield Services' well servicing fleet in the United States. For the quarter ended March 31, 2021, production services revenue decreased by $0.8 million (or 5%) to $16.9 million, compared to $17.7 million in the same period of the prior year. In the first quarter of 2021, Eagle's revenue decreased to $15.0 million compared to $15.6 million in the same period of the prior year, whereas Aero's revenue decreased to $1.5 million, compared to $1.7 million in the same period of the prior year. The decrease in revenue for Eagle and Aero for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020, is due to continued market uncertainty from low demand related to the COVID-19 pandemic.

Eagle's Service Hours decreased by only 4% to 20,702 hours (37% utilization) in the first quarter of 2021, as compared to 21,491 hours (38% utilization) in the first quarter of 2020, as increased abandonment work as a result of government incentives offset declines in production and completion activity. Revenue per Service Hour of $727 in the first quarter of 2021 was consistent with the same period of the prior year.

During the three months ended March 31, 2021, administrative expenses totalled $0.7 million and were 36% lower than the same period of the prior year, mainly due to lower employee related expenses as a result of a focus on cost management, as well as the CEWS from the Government of Canada recognized in 2021.

For the quarter ended March 31, 2021, production services incurred a loss before income taxes and impairment of $1.7 million, compared to a loss before income taxes and impairment of $0.1 million for the quarter ended March 31, 2020, mainly due to a $1.3 million increase in Adjusted EBITDA and a $0.4 million decrease in depreciation expense.

Adjusted EBITDA increased in the first quarter of 2021 by $1.3 million to $4.3 million, compared to $3.0 million in the first quarter of 2020. The higher Adjusted EBITDA for the three months ended March 31, 2021 was due to continued marketing efforts by management to increase market share, a focus on cost management in Eagle and the receipt of the CEWS.

Depreciation expense for the first quarter of 2021 was 15% lower than the same period of the prior year mainly due to certain assets being fully depreciated in the year, as well as the impact of asset impairments in previous quarters.

Additions to property and equipment in the production services segment in the first quarter of 2021 totalled $0.2 million of maintenance capital and were consistent with the same period of the prior year.

Corporate

	Three months ended March 31		
(stated in thousands)	**2021**	**2020**	**Change**
Expenses			
Administrative	1,217	931	31%
Depreciation	438	499	(12%)
Operating loss	(1,655)	(1,430)	16%
Stock based compensation	29	54	(46%)
Finance costs	4,568	4,678	(2%)
Other items	(35)	(345)	(90%)
Income tax recovery	(2,062)	(5,139)	(60%)
Additions to property and equipment	-	28	(100%)

Corporate administrative expenses for the quarter ended March 31, 2021 totalled $1.2 million and were $0.3 million higher than the same period of the prior year due to fewer costs allocated to the Company's operating segments as a result of lower activity and headcount reductions, offset partially by the CEWS from the Government of Canada.

Finance costs in the first quarter of 2021 of $4.6 million were $0.1 million (or 2%) lower than the first quarter of 2020 and represented an effective interest rate of 7.4%, as compared to 7.8% in the prior year.

Other items, which relate to foreign exchange gains and losses and the sale of assets, were negligible for the first quarter of 2021.

For the first quarter of 2021, consolidated income tax recovery totalled $2.1 million, representing an effective tax rate of 24.2%, as compared to an effective tax rate of 25.1% in the first quarter or 2020. The decrease in the effective tax rate for the quarter ended March 31, 2021 is mainly due to a lower proportion of taxable income earned in the US in 2021 compared to the same period of the prior year.

Liquidity and Capital Resources

The Company's liquidity requirements in the short and long term can be sourced in several ways including: available cash balances, funds from operations, borrowing against the Credit Facilities, new debt instruments, equity issuances and proceeds from the sale of assets. As at March 31, 2021, Western had working capital of $13.4 million, a decrease of $2.6 million from December 31, 2020. Western's total debt at March 31, 2021 decreased by $4.2 million (or 2%) to $239.8 million, as compared to $244.0 million at December 31, 2020, mainly due to repayments of the Credit Facilities, finance lease obligations, and the Second Lien Facility.

During the quarter ended March 31, 2021, Western had the following changes to its cash balances, which resulted in a $12.7 million decrease in cash and cash equivalents for the quarter, as a result of the use of proceeds from the HSBC Facility which were included in cash and cash equivalents at December 31, 2020:

Cash and cash equivalents (stated in thousands)	
Opening balance, at December 31, 2020	19,322
Add:	
Adjusted EBITDA[1]	6,891
Change in non cash working capital	(6,386)
Proceeds on sale of property and equipment	117
Deduct:	
Finance costs paid	(8,255)
Repayment of Credit Facilities	(3,000)
Additions to property and equipment	(873)
Repayment of other long term debt	(729)
Repayment of Second Lien debt	(538)
Other items	21
Ending balance, at March 31, 2021	**6,570**

[1] See "Non-IFRS Measures" on page 15 of this MD&A.

The Credit Facilities, which have a maximum available amount of $60.0 million, mature on July 1, 2022. As at March 31, 2021, $8.0 million was drawn on the Credit Facilities and $12.5 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 2021 capital budget. Advances under the Credit Facilities are limited by the Company's borrowing base.

Under the Credit Facility, the borrowing base is calculated monthly and is determined as follows:

- 85% of eligible investment grade accounts receivable; plus
- 75% of eligible non-investment grade accounts receivable; plus
- The lessor of:
    (i) 66 2/3% of the total Credit Facilities; or
    (ii) 25% of the net book value of property and equipment; or
    (iii) 40% of appraised net orderly liquidation value of property and equipment.

As at March 31, 2021, the Company was in compliance with its borrowing base requirement, as its $8.0 million Credit Facility draw was less than the maximum amount calculated under the borrowing base.

Amounts borrowed under the Credit Facilities bear interest at the bank's Canadian prime rate or the banker's acceptance rate plus an applicable margin depending, in each case, on the ratio of Consolidated Debt to Consolidated EBITDA as defined by the Credit Facilities agreement. Consolidated EBITDA, as defined by the Credit Facilities agreement, differs from Adjusted EBITDA as defined under Non-IFRS Measures on page 15 of this MD&A, by including certain items such as realized foreign exchange gains or losses and cash payments made on leases capitalized under IFRS 16.

In conjunction with the Credit Facility extension announced on December 31, 2020, Western and its lenders made other changes to the Credit Facilities, including the following adjustments to its financial covenants:

- The Company has obtained covenant relief for the third and fourth quarters of 2021 whereby:
    - the consolidated senior debt to consolidated EBITDA covenant is waived;
    - a minimum liquidity of $5.0 million is required;
    - the maximum consolidated debt to consolidated capitalization covenant has been increased to 0.65x from 0.60x;
    - a maximum consolidated senior debt to consolidated capitalization ratio of 0.10x has been added; and
- Annual capital expenditures for 2021 cannot exceed $10.0 million.

The Credit Facilities are secured by the assets of Western and its subsidiaries. A summary of the Company's financial covenants as at March 31, 2021 is as follows:

March 31, 2021	**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 March 31, 2021 condensed consolidated financial statements.

At March 31, 2021, Western is in compliance with all covenants related to its Credit Facilities.

For the three months ended March 31, 2021, the Company had one customer comprising 13.0% of the Company's total revenue. The trade receivable balance outstanding related to this customer was 13.3% of the Company's total trade and other receivables as at March 31, 2021. For the three months ended March 31, 2020, the Company had no customers who comprised more than 10.0% of the Company's total revenue. The Company's significant customers may change from period to period.

Summary of Quarterly Results

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

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

Three months ended **(stated in thousands, except per share amounts)**	**Mar 31, 2021**	**Dec 31, 2020**	**Sep 30, 2020**	**Jun 30, 2020**	**Mar 31, 2020**	**Dec 31, 2019**	**Sep 30, 2019**	**Jun 30, 2019**
Revenue	36,969	27,679	13,438	10,802	51,765	45,838	47,067	37,728
Adjusted EBITDA(1)	6,891	5,610	2,270	4,036	8,361	5,584	4,968	2,438
Cash flow from (used in) operating activities	1,509	2,011	(1,560)	25,732	1,539	8,921	(592)	17,501
Net loss	(6,454)	(7,443)	(10,486)	(8,042)	(15,331)	(52,249)	(11,575)	(10,128)
per share - basic	(0.07)	(0.08)	(0.12)	(0.09)	(0.17)	(0.56)	(0.13)	(0.11)
per share - diluted	(0.07)	(0.08)	(0.12)	(0.09)	(0.17)	(0.56)	(0.13)	(0.11)
Total assets	478,527	495,625	488,470	494,493	542,131	550,537	617,943	626,890
Long term debt	233,418	237,633	226,719	214,255	239,118	228,274	232,722	223,363

(1) See "Non-IFRS Measures" on page 15 of this MD&A.

Revenue and Adjusted EBITDA were impacted by low commodity prices and market uncertainty throughout the last eight quarters. Mandated crude oil production cuts in Alberta in 2019 and uncertainty surrounding takeaway capacity throughout 2019 reduced overall activity in the industry. The unprecedented decrease in the price of crude oil in the first quarter of 2020, as well as the demand destruction from the ongoing COVID-19 pandemic throughout 2020 had a significant impact on industry activity and resulted in customers reducing or cancelling their drilling programs, which had a negative impact on Western's Revenue and Adjusted EBITDA. Crude oil prices began to recover in the first quarter of 2021, resulting in some improvements in activity throughout the industry.

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.

The fourth quarter of 2019 and the first quarter of 2020 included impairment losses on property and equipment which impacted total assets.

Commitments

In the normal course of business, the Company incurs commitments related to its contractual obligations. The expected maturities of the Company's contractual obligations as at March 31, 2021 are as follows:

(stated in thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Second Lien Facility	1,613	2,150	205,325	-	-	-	209,088
Second Lien Facility interest	7,424	15,105	7,473	-	-	-	30,002
HSBC Facility	-	1,250	1,250	1,250	1,250	7,500	12,500
HSBC Facility interest	607	769	688	610	527	447	3,648
Revolving Facility	-	8,000	-	-	-	-	8,000
Trade payables and other current liabilities (1)	16,047	-	-	-	-	-	16,047
Operating commitments (2)	1,635	716	688	687	57	-	3,783
PPP loan	238	571	571	571	344	-	2,295
Lease obligations (3)	2,444	2,451	2,055	1,775	151	-	8,876
Total	30,008	31,012	218,050	4,893	2,329	7,947	294,239

(1) Trade payables and other current liabilities exclude the Company's interest accrued as at March 31, 2021 on the Second Lien Facility which is 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 and include those leases capitalized under IFRS 16.

Second Lien Facility and interest:

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

HSBC Facility and interest:

The Company pays interest on the HSBC Facility monthly, with principal payments commencing January 1, 2022. The HSBC Facility matures on December 31, 2026.

Revolving Facility:

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

Trade payables and other current liabilities:

The Company has recorded trade payables for amounts due to third parties which are expected to be paid within one year.

Operating commitments:

The Company has agreements in place to purchase certain capital and other operational items with third parties, as well as short term leases with a term of less than one year, and operating expenses associated with long term leases.

US Paycheck Protection Plan ("PPP"):

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.

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 March 31, 2021.

Outstanding Share Data

	April 26, 2021	**March 31, 2021**	**December 31, 2020**
Common shares outstanding	91,200,072	91,200,072	91,165,112
Stock options outstanding	6,927,138	6,948,414	7,464,687
Restricted share units outstanding - equity settled	1,185,889	1,211,449	1,244,159

Off Balance Sheet Arrangements

As at March 31, 2021, Western had no off balance sheet arrangements in place.

Transactions with Related Parties

During the three months ended March 31, 2021 and 2020, the Company had no transactions with related parties.

Financial Risk Management

Credit Risk

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

The Company's trade receivables are with customers in the crude oil and natural gas industry and are subject to industry credit risk. In 2020, the COVID-19 pandemic and related decrease in global demand for crude oil had a significant impact on commodity prices. These factors are expected to continue to have an impact on companies and their related credit risk into 2021. 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 are impaired. The allowance for doubtful accounts could materially change as a result of fluctuations in the financial position of the Company's customers.

The Company completes a detailed review of its historical credit losses as part of its impairment assessment. The Company has had low historical impairment losses on its trade and other receivables, due in part to its credit management processes. As such, the Company assesses impairment losses on an individual customer account basis, rather than recognize an impairment loss on all outstanding trade and other receivables. Subsequent to March 31, 2021, the Company has collected approximately 36% of its trade and other receivables outstanding as at March 31, 2021.

Liquidity Risk

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

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

As Western's common shares trade on the Toronto Stock Exchange, pursuant to National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the President and Chief Executive Officer ("CEO") and Senior Vice President, Finance, Chief Financial Officer and Corporate Secretary ("CFO") of the Company have certified as at March 31, 2021 that they have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities, particularly during the periods in which the interim filings of the Company are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

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

During the three months ended March 31, 2021, 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 months ended March 31, 2021, which were prepared in accordance with IFRS. In March 2020, the World Health Organization declared a global pandemic as a result of the COVID-19 outbreak, which led to demand destruction worldwide as countries implemented emergency measures such as lockdowns, to prevent the spread of the COVID-19 virus. The significant decrease in global demand for crude oil, coupled with an international price war in the first half of 2020, resulted in historical lows and increased volatility in crude oil prices.

The current economic environment and the ongoing pandemic will continue to impact the Company and the full extent of the impact is currently unknown, as it will depend on the duration of the COVID-19 pandemic, the timing of COVID-19 vaccines being distributed and its resulting impact on international markets. The pandemic and reduction in global demand results in uncertainty for the Company, as well as estimates and assumptions used by management to prepare the 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, 2020. However, the current market conditions have increased the uncertainty specifically relating to, but not limited to, assumptions used in calculating the recoverable amounts of the Company's CGUs in its impairment assessment, as well as increased risk of non-payment of accounts receivable. Actual results may differ from the estimates used in preparing the condensed consolidated financial statements.

Government Grants:

In response to the COVID-19 pandemic and emergency measures, such as lockdowns, governments have established various programs to assist companies through this period of uncertainty. Management has determined that the Company qualifies for certain programs and recognizes such government grants when there is reasonable assurance the grant will be received. For the three months ended March 31, 2021, the company has recorded $3.2 million related to the CEWS from the Government of Canada. Under IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, the Company may recognize the CEWS as either other income or as a reduction of the expenses related to the grant. The CEWS relates to operating and administrative expenses and has been recognized as a reduction of these expenses by $3.0 million and $0.2 million respectively, for the three months ended March 31, 2021 (three months ended March 31, 2020: nil).

Additionally, management has determined that the Company qualifies for the Canada Emergency Rent Subsidy ("CERS"). The CERS relates to eligible expenses such as rent and operating costs for the Company's leased properties, some of which had been capitalized as assets under IFRS 16, Leases. For the three months ended March 31, 2021, the Company has recognized a reduction of operating expenses of $0.1 million and a reduction of depreciation expense of $0.1 million related to IFRS 16 related assets (three months ended March 31, 2020: nil).

US Paycheck Protection Plan:

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 is being used to cover eligible US expenses, including payroll, rent 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 loan forgiveness was recognized in the condensed consolidated statement of operations for the three months ended March 31, 2021 (three months ended March 31, 2020: nil).

Business Risks

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

- The significant decrease in crude oil prices in 2020 and low crude oil demand associated with the COVID-19 pandemic is continuing 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.
- 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 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. 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, the HSBC Facility and the Second Lien Facility. Given the current macroeconomic environment due to 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 due to 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 to provide shareholders and potential investors with additional information regarding the Company. The Non-IFRS measure used in this MD&A is identified and defined as follows:

Adjusted EBITDA

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

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

	Three months ended March 31	
(stated in thousands)	**2021**	**2020**
Net loss	**(6,454)**	**(15,331)**
Income tax recovery	(2,062)	(5,139)
Loss before income taxes	**(8,516)**	**(20,470)**
Add (deduct):		
Depreciation	10,806	12,898
Stock based compensation	68	100
Finance costs	4,568	4,678
Other items	(35)	(345)
Impairment of property and equipment	-	11,500
Adjusted EBITDA	**6,891**	**8,361**

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:

- 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”);
- 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 COVID-19 pandemic and the related economic environment; the potential impact of the ongoing COVID-19 pandemic on the oil and gas industry in Canada and the United States; the pricing for the Company’s services and equipment; the terms of existing and future drilling contracts in Canada and the US and the revenue resulting therefrom (including the number of Billable Days typically generated from such contracts and expected expiration dates of such contracts); the Company’s maintenance capital plans for 2021 and its ability to make changes thereto in response to customer demands; the Company’s liquidity needs including the ability of current capital resources to cover Western’s financial obligations, working capital requirements and the 2021 capital budget; the use, availability and sufficiency of the Company’s Credit Facilities; pricing for Western’s services and impact on Adjusted EBITDA; the Company’s ability to maintain certain covenants under its Credit Facilities; the future declaration of dividends; the potential forgiveness of a portion of the Company’s PPP loan; expectations as to the changes in crude oil transportation capacity through pipeline developments and uncertainties related thereto; expectations as to the benefits of the LNG Canada natural gas project in British Columbia on the Company and its rig fleet; the future deployment or retirement of rigs and other existing assets; the potential impact of changes to laws, governmental and environmental regulations, and the price on carbon emissions; the expectation of continued investment in the Canadian crude oil and natural gas industry; the development of Alberta and British Columbia resource plays; maturities of the Company’s contractual obligations with third parties; expectations relating to producer spending and activity levels for oilfield services; the Company’s approach to management of its budget and operations; the Company’s ability to maintain a competitive advantage to enable it to manage the current oilfield service environment; the Company’s ability to find and maintain enough field crew members; and forward-looking statements under the headings “Disclosure Controls and Procedures and Internal Controls Over Financial Reporting”, “Business Risks” and “Critical Accounting Estimates”.

The material assumptions in making the forward-looking statements in this MD&A include, but are not limited to: demand levels and pricing for oilfield services; demand for crude oil and natural gas and the price and volatility of crude oil and natural gas; pressures on commodity pricing; the continued business relationships between the Company and its significant customers; the Company’s competitive advantage; crude oil transport, pipeline and LNG export facility approval and development; the Company’s ability to finance its operations; the effectiveness of the Company’s cost structure and capital budget; the effects of seasonal and weather conditions on operations and facilities; the competitive environment to which the various business segments are, or may be, exposed in all aspects of their business and the Company’s competitive position therein; the ability of the Company's various business segments to access equipment (including spare parts and new technologies); assumptions with respect to global economic conditions and the accuracy of the Company's market outlook expectations for 2021 and in the future; the Company's expectations regarding the impacts, direct and indirect, of the COVID-19 pandemic on our business, customers, business partners, employees, supply chain, other stakeholders and the overall economy; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; the ability to retain and attract significant customers; the ability to maintain a satisfactory safety record; and general business, economic and market conditions.

Although Western believes that the expectations and assumptions on which such forward-looking statements and information are based on are reasonable, undue reliance should not be placed on the forward-looking statements and information as Western cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risk that the low commodity price environment and reduced demand for oilfield services 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 headings "Business Risks" herein and "Risk Factors" in Western's AIF for the year ended December 31, 2020 which may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements and information contained in this MD&A are made as of the date hereof and Western does not undertake any obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Additional data

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